THOUGHTS

ON THE

EFFECTS

OF THE

BANK RESTRICTIONS.

BY LORD KING.

THE SECOND EDITION ENLARGED,

INCLUDING

SOME REMARKS ON THE COINAGE.

LONDON:

PRINTED FOR CADELL AND DAVIES, STRAND;

AND J. DEBRETT, PICCADILLY;

BY R. TAYLOR, BLACK-HORSE-COURT, FLEET-STREET.

1804.

Price 3s. 6d.

"This business of money and coinage is by some men, and amongst them some very ingenious persons, thought a great mystery and very hard to be understood. Not that truly in itself it is so, but because interested people who treat of it wrap up the secret they make advantage of in a mystical, obscure and unintelligible way of talking; which men from a preconceived opinion of the difficulty of the subject taking for sense, in a matter not easy to be penetrated but by the men of art, let pass for current without examination. Whereas would they look into those discourses and enquire what meaning their words have, they would find for the most part either their positions to be false, their deductions to be wrong, or (which often happens) their words to have no distinct meaning at all. Where none of these be, there their plain, true, honest sense would prove very easy and intelligible if expressed in ordinary and direct language."——*Considerations on lowering the Interest and raising the Value of Money.* LOCKE's Works, vol. iv. p. 103. 8vo.

ADVERTISEMENT TO THE FIRST EDITION.

Many of the observations, and all the material facts contained in the following pages have been adduced in the course of the different debates of the House of Lords during the present Session, upon the two Bills for the Renewal of the Restriction of Payments in Specie at the Banks of England and Ireland. The great importance of the subject suggested the propriety of presenting them to the Public in a more correct and extended form.

An Appendix has been added containing several Tables which shew the course of exchange, and the market price of silver for some years past, together with the amount of English and Irish Bank notes since the period of the Restriction. These accounts have been given, as furnishing the materials from which the several conclusions contained in these pages, respecting the state of the currencies of Great Britain and Ireland, have been deduced.

Since this work was printed, the negotiations between this Country and France have at length terminated in war. This great change in public affairs has given an additional importance to the question concerning the Restriction of Payments in Specie; both by increasing the temptations to an abuse of the present system, and by rendering its further continuance more probable.

May 20, 1803.

ADVERTISEMENT.

In consequence of the demand for another edition, the whole work has been revised and corrected, and several passages have been added. The additions relate principally to the increase in the notes of country banks; the necessity of putting an end to the present Restriction, and the means of accomplishing that object; and the expediency of some alterations in the present system of coinage.

If the length of this publication had been foreseen, it would have been proper to separate the different topics and heads of argument, and to divide the work into distinct chapters. As this has not been done, the defect is in some measure supplied by prefixing a Table of Contents.

March 20, 1804.

CONTENTS.

APPENDIX.

ON

THE RESTRICTION

OF

PAYMENTS IN SPECIE.

The use of paper currency as a substitute for the precious metals is one of the most curious and important facts in the commercial history of modern times; and the extent to which this practice has prevailed in the most improved countries is an evident proof of the advantages with which it has been attended. Those advantages consist in supplying the place of a very expensive instrument of exchange by one which is both less costly, and, for many purposes, more convenient. The system of paper credit, at the same time that it œconomizes the precious metals, has the further and often more important effect of abridging the labour of receipts and payments, of facilitating the exchanges between distant countries, and of simplifying in the greatest degree all pecuniary transactions. This remark ap-

plies generally to all paper currency, whether payable at a future time or at the will of the holder; since both descriptions of notes may enter into receipts and payments and perform the office of money. But the observations in the following pages relate principally to notes payable on demand.

It is one of the most usual objections to such a currency that by introducing a new quantity of the circulating medium it occasions a depreciation of money, and a consequent advance of prices; whilst on the other hand writers of great authority, and among them Dr. Adam Smith, have asserted that, as each portion of paper displaces an equal quantity of coin, the value of the precious metals is not affected by this change of currency. This opinion, though much nearer the truth than the former, and though it may be considered as true for all practical purposes, is not however a correct representation of the fact. The metals, which by the consent of mankind are used as the representatives of value, are employed either in manufactures, or as current coin, or in the form of bullion for effecting the exchanges between nations; and their value will consequently depend upon the degree in which the supply

for these different purposes is proportioned to the demand. It must rise or fall as the demand in each particular instance is increased or diminished. If, for example, by any change in the manners or customs of Europe the use of gold and silver plate should be entirely laid aside, the price of those metals must of course be greatly reduced. The substitution of paper for specie is a fact of the same nature, and has a similar influence on prices. So far as it displaces the coin which would otherwise be employed, it diminishes the demand for those metals for the purposes of coinage, and has precisely the same effect in reducing their general value as an actual increase of quantity to the same amount.

On the supposition therefore of the whole quantity of gold and silver remaining the same, they must, in a certain degree, be rendered cheap by every increase of paper currency. But, as these metals are in universal request and circulate more generally than any other articles of commerce, the effect thus produced cannot be partial, but must extend to all other countries; and it will therefore follow that the actual reduction in the value of gold and silver, which is produced by the paper circula-

tion of any particular country, is in the proportion of the amount of such circulation to the whole quantity of the precious metals applicable to the purposes of coinage and commerce throughout the world. It is probable that this proportion can never be very great; and experience seems to shew that no considerable depreciation is ever produced in this manner. Previous to the revolution in France the currency of that extensive country was carried on almost entirely in silver; and the rapid emission of *assignats*, which was the consequence of that event, must have very suddenly withdrawn a considerable quantity of that metal from circulation. Yet this violent operation does not appear to have produced any perceptible effect upon prices or even upon the value of silver in Europe. The extension of paper credit, which takes place in common times and under ordinary circumstances, can only produce a very gradual depreciation, which being shared by the world at large, is not felt as an inconvenience by any particular country.

It seems to be a necessary consequence of this reasoning, that the nation, which carries on a considerable part of its currency by means of paper in-

stead of the precious metals, enjoys a great superiority over countries which have not recourse to the same expedient; since it is enabled by this means to save the whole amount of the capital which would otherwise be necessary to supply the proper quantity of the metals for circulation; and it has therefore an advantage exactly of the same kind as it would possess in manufactures, by any of those improvements, in which important mechanical processes are executed by means of less expensive machinery.

It must be evident however that the advantages which thus result from the use of a paper currency depend altogether upon the fact of its exactly supplying the place of that coin which it represents; and this quality can only be possessed by a currency which is *immediately convertible into specie at the option of the holder.* So long as this power of conversion continues, the notes in circulation must be considered as equivalent to specie; since they exist only by the choice of the public, who, if they preferred gold and silver, might immediately receive them in exchange. But when the obligation to pay in coin ceases, the currency no longer retains this determinate value, but is in danger of being depre-

ciated from two different causes; viz. by want of confidence on the part of the public, and an undue increase of the quantity of notes. Numerous instances have occurred of paper currencies of this description. In consequence of financial difficulties, many of the European governments, and the American states prior to their independance, have had frequent recourse to the practice of issuing notes payable at a future and uncertain period. In every known instance such notes have uniformly been depreciated; probably by the joint operation of both the causes which have been mentioned. But either of these causes singly will in a certain degree produce the same effect. Though the persons who have the regulation of a currency not payable on demand should confine their issues within the most just and reasonable limits; yet if their credit or solvency is doubted, it is impossible that their notes can circulate at the full nominal value. A similar depreciation must take place, if the currency should exceed that quantity which the effective demand of the public requires; and this must necessarily happen notwithstanding the most implicit confidence in those by whom the paper is issued. That the power of *immediate* conversion into specie is the only cir-

cumstance which can prevent the excess or maintain the value of any paper currency, is practically shewn by the occasional discount upon exchequer bills and other Government securities bearing interest, of which the payment is considered as ultimately certain. A currency exposed to such fluctuations must evidently be a very unfit medium of exchange or standard of value.

The system of paper credit in England prior to the restriction of payments in specie, was founded entirely upon these principles. Its circulation consisted principally of Bank notes payable on demand. The proportions of coin and paper currency were divided in a very convenient, perhaps in the best possible, manner; the payments under five pounds being made in cash, and the large payments in paper convertible immediately into specie. A system of this kind appears to unite the conveniences and exclude the disadvantages of a paper currency in the greatest possible degree. A complete substitution of paper for the precious metals in all small payments is attended with several obvious disadvantages. Where, for example, the trade between dealers and small consumers is carried on entirely in paper, the facility

of passing notes of such trifling amount, the ignorance of the persons among whom they are circulated, and the length of time during which they may be expected to remain in the distant provinces, afford great temptations to forgery; and this inconvenience, independent of several others which might be mentioned, is sufficient to counterbalance the advantage to be gained by the substitution of paper for specie to so great an extent. In the transactions between dealers, among whom there is much greater skill and vigilance, where the notes are much larger and more frequently returned to the metropolis, instances of successful forgery are much more rare.

Since all paper credit depends essentially upon confidence, it is one of the evils of the system to be exposed to great derangements in consequence of panics, which produce runs, or sudden demands for cash, upon the Banks which issue the paper. It now appears that for some time prior to February 1797, and indeed during the whole of the year 1796, the Bank of England had been labouring under difficulties originating in an unfavourable exchange, but which were much aggravated by an extension of its

issues to Government, and an increasing demand for specie occasioned by public alarm. In consequence of this demand the Directors found it necessary to diminish the issue of their notes, which in the beginning of the year 1797 were reduced from the average of between ten and eleven millions to nearly eight millions and a half. Had confidence been speedily restored, this reduction would probably have enabled them to survive the danger. But the Executive Government having, for some reasons, thought it necessary to declare their apprehensions of an invasion, and to take measures of precaution against hostile attacks, a general panic ensued, and a demand for specie from all parts of the country was made upon the Bank of England. This brought affairs to a crisis; and on the 25th of February 1797 the Directors represented to Government their inability to perform their engagements to their creditors, and their apprehension that, unless some immediate step was taken for their relief, the Bank would be exhausted of the whole of its cash.

In this new and difficult state of things it is an important question to determine what is the system of conduct which true policy would have dictated.

When private commercial establishments are exposed to ruin by temporary embarrassments, recourse is often successfully had to associations of the principal creditors. It seems highly probable that a similar measure would, in this instance, have been attended with similar good effects; and that the impending danger might have been prevented by an association of the merchants and bankers of London to support the credit of the Bank; which would have been followed by other associations in all the great and commercial towns. Engagements of the same kind might have been entered into by the individuals of both Houses of Parliament, grounded upon such inquiries into the solvency of the Bank and the causes of its failure as those which in fact took place.

If a positive law for the suspension of payments had been found unavoidable, it ought to have been limited to a peremptory time, under the most solemn parliamentary engagement that it should not again be renewed; and immediate provision should have been made for answering the demands of the public for gold by a new coinage to a considerable amount. Such a measure could not have been at-

tended with any serious difficulty or expence; but had it even occasioned some degree of embarrassment, yet no sacrifice was too great for the support of commercial credit and national faith; and some struggle for such important objects might surely have been expected from that financial courage and fertility of resources, which upon occasions of a very different nature distinguished the conduct of the late Administration.

Instead, however, of trying the effect of these natural and obvious remedies, recourse was at once had to the most violent measures. An Order of Council was issued on the 26th of February, for restraining the Bank from payments in cash; and the restriction was confirmed by an Act of Parliament, which was afterwards renewed during the existing session.

So great a revolution in the whole system of our paper currency was not at first viewed without considerable alarm. The original Act of Suspension, which was itself passed on the 3d of May, was limited to the 24th of June; and a confident expectation was expressed that the Bank would resume its

payments during that session of Parliament. A clause was introduced into the bill to enable the Directors to renew their issues of cash, even within the period of restriction, upon a certain notice to be given to the Speaker of the House of Commons, and published in the London Gazette. No apprehension was then entertained that the measure could be of any long continuance. Had it been understood that the restriction was to remain during the war, and even for two years after the conclusion of peace, it may reasonably be doubted whether the power and popularity of the Minister, unbounded as they were, could have carried the measure through Parliament.

A proceeding thus resorted to on a particular emergency has been continued by repeated renewals for a period of more than six years; and, from the manner in which the subject has been lately discussed in Parliament by the advocates of the suspension, there is no immediate probability of a return to the former system. The same indifference has appeared on the part of the Bank as on that of the Executive Government. Had the Directors acted as became the guardians of public faith and

commercial credit, they would long since have used every effort to relieve themselves from the disgraceful situation to which they were reduced. But they have hitherto shewn no such disposition. They have willingly accepted, and, it is most probable, have solicited, a continuance of this legislative interference. Instead of exerting themselves to perform their engagements to their creditors, they have shared larger profits among the Proprietors of their Stock; and there is no reason to believe that they will at any time resume their payments in cash, unless compelled by a discontinuance of the present suspension.

In the first moments of the alarm occasioned by the stoppage of payment, it was apprehended that a depreciation of Bank notes would be the immediate consequence of the suspension. But, though such an opinion was in some respects justified by the conduct of the Bank in their transactions with Government, the fact of an immediate discount was not perhaps at that time extremely probable. The association of the bankers and merchants of London in favour of the Bank paper gave it a certain currency, and the receipt at par in payment of taxes a certain

value, notwithstanding any depreciation which might be produced by an excessive issue of notes. But, besides this, there were several obvious reasons why the Directors of the Bank should, for a certain period at least, act with great prudence and moderation. Though they had the most unlimited power of increasing the quantity of their notes, yet some regard to character might reasonably be expected from men who were placed in so new and responsible a situation; and if we could suppose them to be altogether indifferent to such considerations, it was their interest, as a corporate body, to be cautious in the abuse of a power to which the public was not yet familiarized. They must have been aware that a positive discount on their notes or even any considerable increase of quantity, during the early period of the restriction, would reflect great disgrace on the Bank; and was likely, by the clamour and discontent which it would occasion, to render a renewal of the suspension an unpopular and impracticable measure. It was therefore to be expected that the progress of the abuse would be very gradual; and that the issue of notes would, for a considerable time, be restrained within limits not very greatly exceeding what the interests of the public required. Had it

been the systematic design of the Minister and Bank Directors to perpetuate the abuse of an unlimited paper currency, they could not, as it should seem, have adopted any more effectual means for that purpose. It is by no means intended by this remark to charge either of these parties with such a deliberate design. They appear indeed, by their continued renewals of the original Act of Suspension, to have been utterly regardless of the interests of the public, and to have shewn either great ignorance or great neglect, of the true principles both of justice and policy. But they have evidently had recourse to these measures as mere temporary expedients to avoid present difficulties; and their conduct and language on these occasions, equally prove that they have acted without any distinct system or extended views, and without any regard to distant consequences.

The public acquiescence during so long a period in a measure which originally excited so much alarm can be attributed only to an opinion that, as there is no positive loss or discount on Bank notes, no inconvenience has in fact been suffered, and that the Directors have not been guilty of any abuse of the powers with which they have been intrusted. This

opinion is much strengthened by the supposed small amount of the notes at present in circulation, compared to the extended wealth and commerce of the country. At the time when the last accounts were presented to Parliament, the amount of the notes appeared to be about sixteen millions, which, though a great increase beyond the average quantity prior to the restriction, is affirmed, by Sir Francis Baring and other advocates of the Bank, by no means to exceed the amount which so extensive a commerce requires. The augmented trade of the country, appearing by a great increase of the Imports and Exports during several years past, gives some appearance of truth to this assertion.

It is clear however that this opinion proceeds entirely upon a supposition, which, though in itself very plausible and countenanced by several writers on political œconomy, appears to have no foundation in fact. The argument assumes that there is in all cases some given proportion between the wealth and industry of a society and the amount of its currency; and that this proportion is capable of being known and ascertained. It is upon the ground of these assumptions that estimates have been formed of the

proportion which the circulating money of any country bears to the whole value of the annual produce circulated; which has been computed by different authors at a fifth, a tenth, a twentieth, and a thirtieth part of that value*. Without inquiring into the particular grounds of calculations which differ so widely from each other, it must be admitted that the amount of Bank notes now in circulation bears a very small proportion to the circulating wealth of Great Britain; and that it would be highly probable, on the principles of the above theory, that the Directors, in their issues of notes since the Restriction, have not exceeded the proper limits.

But it will be found, on an attentive consideration of the subject, that the supposition of a given *ratio* in all cases between currency and commerce is in itself altogether erroneous; and that there is no rule or standard by which the due quantity of circulating medium in any country can be ascertained, except the actual demand of the public. The requisite proportion of currency, like that of every other article of use or consumption, regulates itself entirely

* Wealth of Nations, vol. i. 441.

by this demand; which differs materially in different countries and states of society, and even in the same country at different times. It seems at first sight, from the greater number and amount of exchanges which take place in such a state of society, that a rich and commercial nation would require a much larger proportional quantity of the circulating medium than a country distinguished by its poverty and idleness. Yet the contrary of this is probably the fact. Superior wealth and trade are causes which operate in themselves to increase the demand for currency; but they may be more than counterbalanced by other circumstances. Commercial nations have in this respect a great advantage over others by the more skilful and judicious management of their currency. The first step in the improved system of circulation, is the establishment of Banks, which diminish the quantity of current coin or paper, by rendering it unnecessary for individuals to retain large sums for their constant use. A further improvement takes place in the extensive use of bills of exchange and promissory notes, and of the drafts of Bankers payable on demand, by means of which all currency is œconomized in perhaps a still greater degree, and a small portion is made to per-

form the office of a much larger*. Notwithstanding the superior riches and industry of England, there can be no doubt that its circulating medium, in consequence of these improvements, is much less in proportion to its wealth and commerce than that of France; which, prior to the Revolution, was computed by M. Necker at ninety millions sterling. No commercial writer has ever estimated the circulation of England at any sum approaching to this amount.

Even in the same country the quantity of circulating medium required for commercial transactions is liable to great fluctuations, and is very different at different periods. During a season of prosperity and confidence, the demand for currency, whether consisting of coin or paper, is much diminished by the facility of obtaining credit. The contrary effect takes place in times of alarm and insecurity, which

* The practical methods by which currency of all kinds is œconomized in the transactions of the London merchants and bankers are explained by Mr. Thornton in his Essay on Paper Credit. The passages which relate to this subject form the most useful and instructive part of his work.

produce unexpected calls for payment, and put all commercial persons under the necessity of increasing their stock of currency as a provision against contingencies.

It is manifest for these reasons that the proportion of circulating medium required in any given state of wealth and industry is not a fixed, but a fluctuating and uncertain quantity; which depends in each case upon a great variety of circumstances, and which is diminished or increased by the greater or less degree of security, of enterprise and of commercial improvement. The causes which influence the demand are evidently too complicated to admit of the quantity being ascertained by previous computation or by any process of theory. It may, in like manner, be shewn that the practical rules of the Bank, which have been sometimes supposed to be sufficient securities against an improper increase of their notes, are altogether inadequate to this purpose.

The Bank of England usually issues its notes by discounting bills of exchange to merchants; and it has been supposed that, provided the bills are not fictitious, but relate to transactions between real debtors

and creditors, the paper which is thus issued can never exceed the amount which would necessarily circulate if the obligation to pay in specie existed*. But the occasional convenience of the merchants has a very remote connection with the permanent demands of the public. Though we should suppose the Bank to possess the means of distinguishing in all cases between real and fictitious bills; yet transactions may pass between individuals, and payments may be made by bills of exchange to a large amount, upon occasions and for purposes which have no reference to the number or amount of such transactions in the community at large. But it is certain that the Directors of the Bank have no such power of distinguishing between bills of different kinds; and that, in any general system of discounting, they must be liable to be imposed upon by what are called bills of accommodation. This uncertainty would occasion great difficulties and constant errors in the use and application of any rule for the regulation of currency founded upon the calls of the merchants for discounts.

* This seems to be considered by Dr. A. Smith as a general rule applicable to all paper currency; but he does not discuss the question or state the reasons upon which his opinion is founded. Wealth of Nations, i. 455.

But a single practical instance of a great demand for discounts clearly unconnected with a general demand for currency may at once convince us that the rule itself has no just foundation. By the impolitic restrictions of the laws against usury, the Bank of England, like other lenders, is prohibited from receiving an interest upon its loans of more than five per cent. But it may often happen that the rate of mercantile interest, and even that of Government securities, exceeds this sum. Under such circumstances, the merchants have a strong inducement to obtain money upon loans from the Bank; and the demand for discounts in consequence of this inducement may be carried to any assignable extent. Demands originating in such causes have in fact frequently taken place at different periods during the late war; and the contrary effect of a diminished demand would naturally be produced by times of peace and prosperity when the rate of interest is low. Yet, at these periods, in which commerce is most flourishing, the currency and circulation of the country would naturally be the greatest.

In real practice, it is well known that the Directors of the Bank do not consider the amount of good

bills presented to them for the purpose of being discounted as furnishing the rule by which the amount of their issues is to be determined. Even since the period of the restriction, they have, on various occasions, thought it necessary to narrow their discounts. They are understood to give a certain limited credit to all the considerable bankers and merchants; and to discount for each a certain proportion of bills according to the extent of his credit. But so long as there is no obligation to exchange their notes for specie, it is evident that this proportion is altogether arbitrary; and that it must depend upon the will and pleasure of the Directors, not upon the actual wants or demands of the community.

Many persons have thought that the acknowledged solvency of the Bank of England and its ample sufficiency to pay the amount of its bills in circulation are an abundant security against an excessive issue of paper; or at least that no danger is to be apprehended while the currency is confined within these limits. The remarks on this subject have been in some measure anticipated by the assertion in a former page* that no degree of credit or sol-

* Page 6.

vency can maintain the value of an unlimited paper currency without a due regard to the quantity of notes issued. But this is a point of so much importance in the present discussion that a few additional observations may not be unnecessary. The undoubted ability of the Bank to perform its engagements has been much insisted upon in Parliament, and is the constant topic of its advocates, as if this was a disputed fact, or as if it decided the point in question. It may be proper therefore distinctly to state, that the solvency of the Bank is admitted in this Enquiry in its fullest extent; the sole object of the present work being to ascertain the causes, by which the notes of a Bank, confessedly solvent and possessing the public confidence, may be depreciated.

It is impossible to deny, in common cases, that the amount of a Banker's capital, and his power of raising money, afford in themselves no proof or presumption that he has the means of carrying his circulation to the same extent. Whatever may be his opulence or credit, he infallibly finds that upon every attempt to issue more than a certain quantity of notes, they are returned upon him for payment. But it seems

impossible to distinguish between the case of a common Banker and that of the Bank of England. A rule of limitation, therefore, founded upon the principle of solvency, would be still more inaccurate than a rule founded upon the demands of the merchants for discounts. By additional subscriptions the capital of the Bank of England and the amount of its property are capable of being augmented to an indefinite extent; but no one will therefore contend that the national currency could be extended without limit, or that it would admit of any considerable increase without great depreciation. Of all possible securities for money the security of Government has always been considered as the most solid and indisputable; yet Navy and Exchequer bills are often brought to a discount by excessive issues; and it is known by experience to those persons who conduct such financial operations, that no quantity of these securities can be forced upon the market beyond its actual demand, without producing a reduction in value.

Commercial cities, like Hamburgh and Amsterdam, whose currency does not consist entirely of their own coin, but is made up of the different coins of neighbouring countries, have had recourse to a particular expedient in order to

maintain the standard of their currency. They have established what are called Banks of Deposit; from which merchants, on the delivery of coin or bullion, obtain a credit equal to the intrinsic value of the gold or silver deposited. This credit, being transferable, is called bank money, and is used for payments; the deposits of gold and silver remaining in the coffers of the bank under the guarantee of the state. In these cases it is clear that the currency represents, in the strictest and most accurate manner, the value which it nominally bears. Yet a very slight consideration may satisfy us that even such a currency, if increased beyond the public demand, must be depreciated in proportion to its excess; and that its value could not be restored, except by withdrawing from the bank a certain quantity of the bullion which had been deposited. This in fact is always done, and the excess prevented, by the vigilant attention of individuals, whose interest directs them in what manner to employ the bullion to the best advantage.

A mixed consideration of the price of bullion and the state of foreign exchanges would probably be the best practical rule by which the Directors of the Bank, during the suspension of their payments

in cash, could regulate the issue of their notes; yet, in consequence of the irregularities which will hereafter be shewn to be produced by the balance of trade, it would on some occasions deviate from the true standard. But, whatever may be the principle by which the Directors, since February 1797, have limited the issue of their notes, the following observations will prove that they certainly have not adopted *this* rule; though it is highly probable that a general consideration of the price of bullion and of the rate of exchange may have served to guard them against a flagrant and impolitic abuse of their powers.

If the above reasoning is well founded, it must follow that there is no method of discovering *à priori* the proportion of the circulating medium which the occasions of the community require; that it is a quantity which has no assignable rule or standard; and that its true amount can be ascertained only by the effective demand. In countries where the currency is carried on by the precious metals, the quantity is regulated, as in all other cases, by the skill and attention of individuals who are versed in this particular branch of trade; or, in other words, by the bullion merchant, who, in case of a redundant

currency, withdraws the excess from circulation and employs it in foreign commerce, or, upon a deficiency of specie, procures a new quantity of the metals to be converted into coin. Where the currency consists of paper convertible into specie, the excess or deficiency is in the same manner prevented by the demand of the public either for cash or notes as circumstances may require.—A paper circulation which cannot be converted into specie, is deprived of this natural standard, and is incapable of admitting any other. The persons to whom the duty of regulating such a circulation is intrusted are in danger, with the very best intentions, of committing perpetual mistakes. The greatest possible degree of skill and integrity can only protect them against gross errors. They will probably in no one instance be exactly right.

That the experience of the officers of the Bank may in some respects have furnished them with the proper skill and knowledge for the regulation of such a currency (if it ought in any case to exist) it would be injustice to deny; but it may very reasonably be doubted whether they possess sufficient firmness for the proper and independent exercise of

so important and difficult a trust. Whatever respect may be due to the characters of the Directors as individuals, it is impossible, after the transactions of 1796, to acquit them of blame in their corporate capacity. During the present restriction of payments in specie they are obviously exposed to great temptations. Political influence may occasion an improper increase of their accommodations to the Executive Government; and their direct interest in the profits made by the Bank furnishes a constant inducement to the extension of their notes beyond the proper limits. It is the object of the following pages to shew, from indisputable facts, that there are strong reasons for believing that the Directors of the Bank of England and, in a still greater degree, those of the Bank of Ireland, have in reality yielded to these temptations, and that they have made an undue and improper use of the powers intrusted to them by Parliament.

The value of the coinage in any country may be discovered by ascertaining the price at which any known quantity of the precious metals is sold. Though the advantage of being in the form of coin gives to the metals in that state a certain preference above bullion, yet this seems in no case to be sufficient to produce any great difference in value; and all commercial writers have therefore agreed in considering the market price of gold and silver as the most accurate tests of a pure or depreciated currency. "When under all occasional fluctuations," says Dr. Adam Smith, "the market price, either of gold "or silver bullion, continues for several years together steadily and constantly either more or less "above, or more or less below the mint price, we "may be assured that this steady and constant, either superiority or inferiority of price, is the effect "of something in the state of the coin which at that "time renders a certain quantity of coin either of "more or less value than the precise quantity of "bullion which it ought to contain. *The constancy "and steadiness of the effect supposes a proportionable constancy and steadiness in the cause**." This

* Wealth of Nations, vol. i. 68.

observation respecting a currency in coin is equally applicable to a paper circulation not convertible into specie. But on account of the perpetual fluctuations in quantity and value to which the latter is exposed, the market price of gold or silver is a test more peculiarly applicable to such a currency. Bullion is of all articles of commerce the least subject to variations of price; and though, in comparing distant times, its value is greatly affected by accumulation or the discovery of new mines, it may be considered as being stationary during short periods.

Another test of a pure or depreciated currency of great importance, though in some respects less accurate than the former, is the state of foreign exchanges. A currency in specie cannot possibly be degraded by any excess in quantity, since the surplus, having an intrinsic value, may be exported to other countries. But paper not convertible into specie possesses no such quality. Having a mere local value, confined to the country within which it circulates, it *must* remain in that country, and, if multiplied beyond the demand, *must* be depreciated in the degree of its excess. In the course of commercial dealings this increase of quantity is

soon discovered; and prices are increased in proportion. A similar effect takes place in transactions with foreign countries according to the states of their respective currencies. The degraded currency of one country being balanced against the pure currency of another, an allowance is made for the degree of depreciation. An addition exactly equal to this amount is calculated upon all the debts of the former country; and the *apparent* increase of debts has a corresponding effect upon the rate of exchange, which is no longer a just criterion of the relative state of the commercial transactions between the two countries. Though the imports and exports should be precisely balanced, though the debts and credits should be equal; yet, as the currencies differ in their intrinsic values, the exchange, though really at par, will appear to be unfavourable to that country where the currency is degraded*.

* The proof of a degraded currency founded upon the two tests of the price of bullion and the rate of exchange was strongly and successfully urged by Mr. Boyd in his Letter to Mr. Pitt, published in December 1800. But he seems to have given an advantage to his opponents by insisting too much on the *degree* of depreciation, and by attributing to the excess of Bank paper a greater effect upon prices than it appears to have produced. In

During the course of more than three years past an extraordinary and rapid advance has taken place in the price of bullion; and the general course of exchange with the continent of Europe during that time has been unfavourable in the same degree. Within the same period the paper currency of the Bank not convertible into specie has increased to an extent of which we have had no former example. It may be assumed, therefore, on probable grounds, that the bullion has not become dear; but that the paper for which it is exchanged has been rendered cheap; because every commodity is cheap or dear in proportion to the abundance or scarcity of the

illustrating his position by the advanced price of corn, an article which is subject above all others to great variations during short periods, and which in that particular instance was chiefly influenced by an acknowledged and undeniable scarcity, he was peculiarly unfortunate. Yet his work appears to have been of use in calling the attention of the public to this important subject. Notwithstanding the great commercial names which have been opposed to Mr. Boyd in the controversy, his general reasoning remains unanswered. On the contrary, both Sir Francis Baring and Mr. Thornton, by acknowledging the necessity of *some* limit to the issue of Bank paper, without being able to state any practical rule or standard of limitation, have admitted the full force of Mr. Boyd's arguments.

supply. A more particular reference to the several alterations which have taken place in the price of bullion and the state of the exchange, since the restriction of payments in cash in February 1797, will serve to illustrate this reasoning, and to place the whole subject in a clearer point of view*.

Whilst the violation of the public faith was yet recent, and the success of the experiment doubtful, the Directors of the Bank acted with great caution, and confined the amount of their notes to the moderate sum of eleven millions and eleven millions and a half. No practical inconvenience seems to have attended the restriction of payments in specie during this limited issue of notes, nor was any important effect produced either on the state of the exchange or price of bullion previous to the year 1799. It is to be observed, however, that the market price of silver, upon the first alarm occasioned by the order in Council, rose rather suddenly from 5s. 4d. to 5s. 6d., probably in consequence of the appre-

* The state of the exchange with Hamburgh and of the price of silver bullion for several years past may be seen in the Tables contained in the Appendix. The attention of the reader is particularly requested to these Tables, and to the observations which precede them.

hension of a discount on Bank notes; but in the month of June following it was as suddenly reduced to 5s. 0½d., and continued at that low price till the end of the year 1798.

The issues of Bank paper gradually increasing to 13,700,000l. produced a sensible alteration in the exchange with Hamburgh and in the price of bullion, which rose from 5s. to 5s. 8d., being an advance of near 14 per cent.; the exchange from the beginning of the year 1799 to the beginning of the year 1800 falling near 20 per cent.

The price of bullion must always be affected in a certain degree by the state of the exchange. A balance against England, by causing a demand of specie for exportation, will have a tendency to raise the price in the market. But the balance of trade alone can never occasion any greater difference in the state of the exchange above par than what will be sufficient to pay the expences and profit of the merchant who exports the precious metals to restore the balance*. This expence will probably seldom ex-

* This is observed by Mr. Hume in a note to his Essay *On the Balance of Trade.* " When we import more goods than

ceed 8 per cent. from London to the continent of Europe; which may be considered as the utmost limit of an unfavourable exchange in a regular state of things. But a degraded currency may affect the rate of exchange to any possible extent, having no other limit than the degree of degradation. Except in the cases of such derangements of currency there does not appear to be any instance of an unfavourable exchange to a greater amount than that which has been stated.

The difference between the effect produced by an unfavourable exchange and a depreciated currency will be seen by the following example. In the year 1795, prior to the restriction of cash payments, considerable sums were sent to the Continent for the purchase of corn, and a loan also of four millions was remitted to the Emperor. These operations had the effect of depressing the exchange about 7 per cent. against England, and of raising the price

" we export, the exchange turns against us, and this becomes " a new encouragement to export; as much as the charge of " carriage and insurance of the money due would amount to. " *For the exchange can never but a little rise higher than that sum.*"—Hume's Essays, Vol. I. p. 282, 8vo.

of standard silver near 5 per cent. above the mint price.

During the last four months of the year 1799, and at the close of 1801 and commencement of 1802, the exchange was also at 32, or about 7 per cent. against England; but the price of standard silver instead of remaining at 5s. 5d. (as in the former instance) rose to 5s. 8d. This difference was probably occasioned by the increase of the paper currency of the Bank, which then amounted to fourteen millions.

In 1802 the price of silver rose to 5s. 11d. and 6s., the amount of Bank notes having at the same period increased to 15,956,106l. In these instances the market price of bullion exceeded the mint price by no less than 16 per cent.; a difference which could not possibly be produced by the state of the exchange.

It will generally be found that the variations in the price of bullion and in the state of the exchange since the restriction of payments in specie have corresponded in a most remarkable degree with the va-

riations in the quantity of Bank notes. The improvement in the exchange since the conclusion of peace, when truly considered, forms no exception to this general remark. A considerable effect must have been produced, in consequence of that event, by the increase of our exports and the more favourable balance of trade; and it is highly probable, from the flourishing state of our commerce and from all former experience during regular periods, that the real balance is more in favour of England than appears from the nominal state of the exchange.

The currency appears to have suffered the greatest depreciation in 1800 and 1801; the price of standard silver being at 5s. 10d. and 6s., and the exchange with Hamburgh varying from 10 to 12 per cent. below par. The great sums which were at that time remitted to the Continent for the purchase of corn will in part account for the unfavourable exchange; but this natural consequence of great and unusual remittances appears to have been aggravated by a depreciated currency. The effects of the Imperial loans and of the purchases of foreign corn must probably have ceased early in

1802; and the subsequent high price of bullion, as well as the unfavourable exchange, during the greater part of the year 1802, is to be attributed solely to a depreciation of currency occasioned by the excessive issue of Bank paper*.

* In a late Work which has made a valuable addition to the science of political œconomy, the *Essay on the Principle of Population*, it is justly remarked by Mr. Malthus that the increased prices of provisions during the scarcity of the year 1800 would naturally require an addition to the circulating medium and to the issues of Bank notes. A similar increase of notes must have been necessary to replace the gold coin which has been gradually withdrawn from circulation since March 1797. On the other hand it seems probable that the demand for Bank notes arising from these causes has been counteracted, in some degree, by the increased number of country banks since the period of the restriction. It might seem to be an omission, in a work like the present, not to have particularly adverted to the various causes, which at different times may have influenced the public demand for Bank notes and which required that their quantity should be increased. But for the reasons which have been given, all calculations and conjectures respecting the due proportion of currency in any given state of things have been purposely avoided in this discussion. The facts are too complicated, and the *data* too few and too uncertain to justify any cautious inquirer in making such estimates or in reasoning much *à priori* on these subjects. Nor can any safe or satisfac-

The amount of notes in circulation during the year 1802 rather exceeded the quantity at any former period of which returns have been made; but the price of bullion was somewhat lower, as well as the rate of exchange less unfavourable, than in the preceding years. There can be little doubt that this difference was occasioned by the peace; in consequence of which event commerce became more active, and the circulation of the country capable of receiving a larger proportion of currency without inconvenience.

During the year 1802 the nominal balance was 5 per cent. in favour of Hamburgh: but it is probable that the real exchange was in favour of England; there being reason to believe, from the high price of silver, that the favourable balance of trade was

tory opinion be formed concerning the proper limits of a paper currency, except what is derived from experience and observation of the effects produced. Even in the latter mode of reasoning minute accuracy is not to be attained; nor will the most careful reference to the two tests of the price of bullion and the state of the exchanges enable us to ascertain in what *precise* degree a currency is depreciated; though the general fact of a depreciation may be proved beyond dispute.

counteracted by a depreciation of Bank notes to the amount of at least 5 per cent. In general it may be calculated that when the exchange with the Continent is nearly at par, the market price of silver will not deviate in any considerable degree from the mint price. We have at the present time a striking instance of an exchange with the Continent at par, and in an improving state; while the price of bullion is between 9 and 10 per cent. higher than the mint price. This extraordinary difference is rendered intelligible by supposing Bank notes to be depreciated, and the real balance of trade very different from the nominal, but by no other hypothesis.

An objection to the market price of silver as the test of a pure or depreciated currency appears to have been urged with some confidence, on the ground of a supposed increase in the price of that metal within late years*. But no proof of this fact has been given; nor would the supposition, if true,

* This appears to have been stated by Sir Francis Baring in the Debates of the House of Commons on the renewal of the Bank Restriction in February 803.

account in any degree for the depression of foreign exchanges, which, it must always be recollected, forms an essential part of the present argument. There seems, however, to be no reason to think that the value of silver has materially varied since March 1797. The market price of silver has been made choice of in these calculations in preference to that of gold, because it is a more established article of commerce, the demand for the latter being much less regular and constant. In the weekly returns of prices, from which the tables contained in the Appendix have been collected, the price of gold is often entirely omitted for a considerable time together. Yet it is to be observed that the market price of gold, which in common times hardly ever rises above the mint price, has, at different periods since 1797, experienced a very great advance. During the whole of the year 1800 the price of Portugal gold, which is of the same value as standard gold, continued steadily at 4l. 5s. per ounce, the mint price being at 3l. 17s. 10½d.; a difference of 9 per cent.

The above reasoning might be illustrated by many well-known facts in the history of the British

coinage. It is stated by Dr. Adam Smith that in the reign of King William the exchange was 25 per cent. against England; but the currency, in consequence of the degraded state of the coin, was depreciated in a still higher proportion. It was at that time imagined that though the nominal balance was so much against England, the real balance was considerably in her favour*. A similar depression of the foreign exchanges was produced by the degraded state of the currency prior to the re-coinage of 1772. The price of standard silver was at the same time high, and continued steadily for several years at a rate much above the mint price, though it does not appear ever to have exceeded 5s. 9d. The new coinage reduced it in a short time to the mint price; and there was a corresponding improvement in the course of exchange.

The enormous issue of *assignats* during the French Revolution depreciated the currency of France in a greater degree than was ever known in any other age or country. During the course of little more than two years the exchange between

* Wealth of Nations, vol. ii. 215.

London and Paris appears to have fallen between 60 and 70 per cent. to the disadvantage of the latter place; and it must have sunk still lower in consequence of new issues, if the war had not prevented any further commercial intercourse between the two countries*.

It may be urged, as an objection to the whole of this reasoning, that a depreciated paper currency, as in the case of *assignats*, is necessarily attended with a discount; and that there is confessedly no instance of any discount upon the notes of the Bank

* It is probable in this case that the *two* causes of depreciation operated; and that want of credit combined with excess of quantity. It has been admitted that the former has had no effect in the depreciation of English Bank notes. But in most instances of depreciated paper currencies the two causes will be found united; the want of solvency, from which the measure usually originates, affording great temptations to excess in the quantity of notes. Each of the two causes however, though united, has its proper effect; with this difference, that the depreciation produced by the latter is in the exact proportion of the excess; whilst that which arises from want of credit may be increased to any assignable extent, according to the state of public opinion and the degree of suspicion or alarm.

of England. But though an excessive issue of notes not convertible into specie has always a tendency towards a discount, it will not in every case produce this effect. The currency of a country is then only in a correct and perfect state, when the real and nominal values of the medium of exchange are exactly equal. But between this full value and that degree of inferiority which occasions a positive and avowed discount there is a considerable interval; and the depreciation may be carried to a certain extent without affording this direct proof; because, in order to produce that effect, it is necessary that the difference should amount to a sum sufficient to repay, together with a profit to the merchant, the whole expence, risque or insurance which is incurred by the exportation of coin to the Continent. Supposing our paper currency to be in this *intermediate* state of depreciation, the gold coin which continues to circulate cannot have a greater value than Bank notes; the temptation not being sufficient to induce dealers to purchase it at an increased price in order to be melted down and exported. So long, therefore, as the issue of Bank of England notes is confined within certain bounds, which it would be highly imprudent to exceed, it will be impossible to

produce the proof of an actual discount in the exchange of gold and silver for notes of the same nominal amount. It will hereafter be seen that the Directors of the Bank of Ireland have transgressed these limits.

The public acquiescence in the present system of currency is another objection which carries some weight, and seems entitled to particular consideration. By a wise forbearance on the part of the legislature Bank notes have not been made legal tender : and their present circulation is in a certain degree voluntary; since persons still have the same power as before the Restriction, of compelling the payment of their debts in specie. The public creditor indeed (an important exception!) has not this privilege. But in every other instance the receipt of Bank notes in satisfaction of a legal demand is optional; and this being now universal, the conduct of the legislature in restraining the issues of specie may be said to have been sanctioned by the opinion and consent of the public. It must indeed be acknowledged that by this general acquiescence Bank paper has been universally substituted for coin, and is become in fact, though not in law, the stan-

dard of national currency. Yet it by no means follows that, because the public have for obvious reasons been induced to acquiesce in this measure, they have therefore sustained no injury. That gradual depreciation, which proceeds from the excess of a paper currency, may pass for a long time unobserved by the great body of the people. Even when the cause of the loss is apparent, men are often induced to submit from the fear of popular odium, and are unwilling to assert their rights in courts of Justice at the risque of being charged with disaffection and with a design to injure the public credit. When the loss becomes considerable, this reluctance is at length overcome; and accordingly in some parts of Ireland (particularly in Belfast and its neighbourhood) Irish Bank notes are now actually discredited, and all transfers of property are made either by payments in gold coin or in the notes of private banks payable in specie. But notwithstanding this example and the manifest abuses of the Irish Bank, their notes still continue to be received and circulated by the great body of the people of that country.

There are indeed several obvious reasons why a medium of exchange of the description of English

or Irish Bank notes may be depreciated to a certain extent without producing any general alarm or opposition. A currency, so firmly established, cannot, it is evident, be opposed with any success by unconnected individuals. The resistance, in order to be effectual, must proceed from the whole mercantile interest and from the great body of merchants resident in London or Dublin. But though these persons have a general interest in maintaining the legal standard of public currency, yet having frequent occasion to apply to the Banks for loans and accommodations, they have a stronger and more immediate inducement to support the credit of those establishments. It is probable also that as Bank notes are usually issued in discounting bills for the merchants, the interest of the latter is opposed in some respects to that of the public; since they may have derived a certain profit from the very process of the depreciation. This seeming paradox will be explained on considering the manner in which the depreciation must take place. It is admitted on all hands that every increase of an unlimited paper currency beyond that quantity which would naturally circulate must have the same effect as an increase of gold and silver; and occasion a corresponding ad-

vance of prices. But the effect is not produced immediately upon the issuing of the notes; and some time must elapse before the new currency can circulate through the community and affect the prices of all commodities. It is this interval between the creation of the new paper and the rise of prices which may be a source of advantage to the persons who obtain loans from the Bank. The merchant, to whom the notes are immediately issued, employs them in the purchase of goods at the prices which they then bear, or is enabled by the payment of a former debt to obtain credit for them at those prices. But by the very effect of these notes, when they are afterwards circulated, the price of the goods is enhanced; and the merchant has the advantage of this rise in addition to the ordinary profits of trade. If he is an exporting merchant, he will receive, besides the usual profit, the amount of the depreciation which will have taken place in the currency between the time of purchasing the goods and the arrival of the remittance in return. If, for example, a merchant had by discounting bills obtained Bank notes and purchased goods to be exported to Hamburgh in July 1799, when the exchange on that place was near 36, giving three months credit to his foreign correspon-

dent; it would follow that in the month of October when his debt became due, his money would be remitted to England at a profit exceeding 9 per cent., in consequence of the exchange having then fallen to 32. In the instance which has been now given, it is not meant to be asserted that the whole of the effect on the exchange was occasioned by an excess of Bank notes; but so far as it proceeded from that cause, it is probable that the merchants whose bills were discounted, derived not only a temporary accommodation, but an ultimate profit from the misconduct of the Bank.—The readers who are conversant with this subject will recollect that Mr. Hume in his *Essay on Money* has ascribed similar effects to the increase of gold and silver which took place on the discovery of the American mines*. The merchants of London and Dublin are probably little acquainted with the writings of this philosophical writer, and have never perhaps very accurately traced the steps of the preceding argument. But their experience has undoubtedly led them to the same conclusions; and there can be no doubt that since the period of the Restriction discounts have

* Hume's Essays, vol. i. 257, 8vo.

been obtained from the Bank by commercial men with less difficulty, and that these accommodations together with the profits derived from hence have given their minds a strong bias in favour of the measure.

The presumption that the currency of England has suffered a depreciation, which has been deduced in a former part of these pages from a permanently unfavourable course of exchange, must acquire great additional strength, if it should appear, for certain reasons, that a favourable exchange with Europe is in the natural order of things, and a necessary result of the commercial relations of Great Britain. The importance of the subject may perhaps justify a more particular examination of this question than might in strictness be thought necessary for the purposes of the present Enquiry.

There is no subject which has so much divided the followers of the old and new systems of political œconomy as the question concerning the balance of

trade. By the former, a constant reference is made to the state of exports and imports, and to the excess of the one above the other; the increase or diminution of the stock of gold and silver being regarded by them as the sole test of the profit or loss to the public which arises from any branch of commerce. On the other hand, the Œconomists, together with Mr. Hume and Dr. Adam Smith, have asserted that this manner of estimating commercial advantages is entirely mistaken, and founded upon that popular error which regards gold and silver as alone constituting wealth. They have shewn that the demand of every country for these metals is limited, and that every attempt to accumulate or detain a larger quantity is not only useless but impracticable. Upon these principles they have utterly denied the importance of a balance of trade, and the possibility of any permanent and uniform excess of the exports above the imports. The truth of this theory, as applied to commerce in general, has been established by the most satisfactory arguments. But the principle has perhaps been stated by these writers too universally; and sufficient allowance seems not to have been made for particular branches of commerce of great

magnitude and importance, in which an attention to the balance of trade may still be useful and necessary.

It is an obvious result of that theory, of which the principles have been thus shortly stated, that foreign commerce, however flourishing, does not introduce any new quantities of the precious metals, beyond that small portion which is necessary for manufactures and annual consumption; and the supporters of the system have accordingly been at great pains to invalidate the proofs which have constantly been adduced of a great and increasing balance of trade in favour of this country. They appear to have failed altogether in this attempt: their opponents have successfully appealed from theory to facts; and these facts cannot be said to admit of any reasonable doubt. It seems impossible to deny the reality of a constant influx of the precious metals into this country from the continent of Europe. The probability of such an influx might perhaps be inferred from the greatness and extent of our manufactures, the superiority of our skill and industry, and our means of supplying the nations of Europe with commodities of a greater value than those which

it is found necessary to receive in return. But, independent of all probable reasoning, the fact of a favourable balance of trade seems to be established by the most decisive proofs of which the subject will admit.

The accounts from the Custom-house books have for many years past constantly agreed in representing a great superiority of the exports above the imports. Though the rates of valuation in these books are for several reasons very incorrect, yet there seems to be no doubt that the accounts have a certain relative accuracy, and are a sufficient approximation to the truth to justify any general practical conclusion of this nature; especially where such conclusions are supported by corresponding circumstances.

The course of exchange, which from the recoinage of 1772 has continued very steadily and constantly in favour of England with almost the whole of the Continent, may be considered as a still more certain and, indeed, decisive criterion of the favourable balance of trade. During the ten years of peace, between the close of the former and the commencement of the late war, the course of ex-

change with Hamburgh, Paris, Cadiz, and Lisbon, and generally with all the great commercial markets of the Continent, was, in a greater or less degree, in favour of London; and continued in the same state till the foreign subsidies and loans, the great expenditures for corn, and other causes not connected with the ordinary course of commerce, disturbed that uniformity.

On considering the whole of that great commercial system which is carried on by Great Britain with every part of the globe, it will appear that there are circumstances essential to the existence of that commerce, which involve the necessity of maintaining a favourable balance with the continent of Europe. The great trade with the East Indies, enjoyed by this country almost to the exclusion of the rest of Europe, creates a vast annual demand for silver, which must be supplied by those countries where silver is produced, or by those to which it is forced by colonial laws and restrictions. The exportation of silver is the most lucrative branch of the Indian commerce, because it is that commodity which, with the smallest cost in Europe, will purchase the greatest quantity of labour in China and the East Indies. It is the

extraordinary profit attending this branch of export trade which constitutes the principal advantage of a commercial intercourse with those countries, and which must have chiefly contributed to enrich those nations which have successively enjoyed this commerce.

It is therefore a necessary part of the system of that country which possesses the greatest share of this branch of trade, to draw from the rest of the western world that supply of the precious metals, which is annually consigned to the East. The direct commerce with Spain and Portugal, the countries immediately connected with the American mines, is inadequate to this purpose; because those nations have not a sufficient demand for the manufactures of Great Britain: and recourse must therefore be had to the different nations of the Continent, among whom the annual produce of the mines is distributed by the commercial intercourse of Spain and Portugal with the other parts of Europe. It is the immediate consequence of this demand to produce a balance of trade and a favourable exchange with the Continent; which must necessarily continue till the equilibrium of the precious metals is restored be-

tween the East and West, and till silver shall no longer represent a greater quantity of exchangeable commodities in India than in Europe.

So long as Great Britain continues to be the greatest manufacturing country in Europe, and to enjoy the monopoly of the Indian trade, the balance must continue in her favour with the Continent; unless some great revolution should remove the restraints on the commerce of the Spanish colonies in America. If that event should ever take place, and a direct intercourse should be established by Great Britain with Peru and Mexico; the balance of trade will be brought to a level, and the average state of the exchange will be at par between England and the continent of Europe. But with the continent of America the exchange will then be as much in our favour as the whole amount of the expence of conveying the precious metals from thence to this country; which expence of transport, as has already been observed, appears to be that which, in all cases of a decidedly unfavourable balance, limits and regulates the rate of exchange.

If we omit the peculiar circumstances resulting

from the possession of the Indian commerce, the various facts relating to the state of foreign exchanges and the balance of trade must appear altogether inexplicable. But when these circumstances are taken into consideration, the whole is harmonious and consistent. It is the great and constant demand for silver produced by this branch of commerce, without mines to supply that demand, which imposes upon Great Britain the necessity of purchasing by means of her manufactures from the continent of Europe a large surplus quantity of the precious metals, to be exported again with a profit to those countries where they are deficient. When the subject is considered in these different points of view, it will appear that in one quarter of the globe our exports must always exceed our imports, and that in another our imports must exceed our exports; but that, in the aggregate amount of the commerce of this country with the whole of the world, the balance will be reduced on an average to the most perfect equality*.

* If the accounts of the imports and exports between Great Britain and all other countries could be obtained, it is probable that notwithstanding all the inaccuracy of the Custom-house

The conclusions which result from this examination of the effects of the Indian commerce upon the state of the exchanges with Europe will be found to have an immediate connection with the subject of our present inquiry. If the above reasoning is well founded, it follows as a necessary inference that, as the real balance of trade in the commercial intercourse of Great Britain with the continent of Europe is necessarily in favour of the former, an apparent balance against Great Britain, or an unfavourable exchange, must proceed from some extraordinary cause which disturbs the natural order of commerce. The necessity of great remittances or an unusual expenditure on the continent of Europe, will to a certain degree produce this effect. But as such causes of irregularity are occasional and temporary, it may be safely affirmed as a general rule which must ever

books, the truth of this opinion would be sufficiently apparent. But the tables of exports and imports, which are printed for the use of Parliament, usually *exclude* the trade with the East Indies. Whatever may be the cause of this omission, it is highly favourable to the views of the persons, for whose use these tables are framed, whose object it is, in compliance with the principles of the mercantile theory, to represent a constant excess of exports above imports.

remain true during the existence of the present commercial system of Great Britain, that an unfavourable exchange *long continued* is alone a decisive proof of a deranged and depreciated currency*.

There are two remarkable exceptions to that unfavourable exchange which, since 1799, has generally prevailed between London and those parts of Europe with which any commercial intercourse has been maintained. The course of exchange with Lisbon and Dublin has, within that period, been very much in favour of London, though it has at the same time been in a most unfavourable state with Ham-

* In consequence of certain objections which have been urged against this theory respecting the Indian commerce, an attempt has been made to explain and enforce it by considering the subject more in detail, and by shewing the manner in which a constant demand for the precious metals affects the rate of exchange. But as these observations have run to some length and are not immediately connected with the subject of the Work, it has been thought more convenient to insert them at the end of the Appendix immediately before the Tables.

burgh and other parts of the Continent. It will be found, on considering the state of the currencies of those countries, that in both these instances the same cause has produced the same effect; and that the exceptions afford new proofs of the truth of the general principle.

The currency of Lisbon has been for some time carried on by a paper circulation issued by the Portuguese Government during the late war. It has, at different times, been very greatly depreciated in consequence of excessive issues; and the exchange has fluctuated according to the real, not the nominal, value of the currency.

The currency of Dublin, consisting of notes of the Bank of Ireland, appears to have been depreciated in a much greater degree than the currency of England, in consequence of a greater proportional increase of the notes of that Bank. It will be seen from the accounts which at different times have been presented to Parliament, that the actual amount of Bank of England notes in circulation in February 1803 exceeded the average quantity prior to 1797 by the addition of about one-half, being the differ-

ence between ten millions and a half and sixteen millions. During the same period the notes of the Bank of Ireland had increased to upwards of four times the amount of the notes in circulation in February 1797. In the space of six years the amount of that currency had been augmented from 621,917l. to 2,633,864l. Since the time when the accounts of 1803 were presented, the Bank of Ireland have thought fit, notwithstanding an avowed and increasing depreciation and a highly aggravated exchange, to extend their issues to near three millions, being *five times the amount of notes in circulation at the time when the Act of Suspension was passed**.

This extraordinary increase of Bank of Ireland notes has produced a positive and acknowledged discount in the exchange of paper for gold; and guineas are regularly sold in Dublin for a premium. The decisive fact of a discount on Bank notes was distinctly admitted, in the debates of the House of Lords, by those Peers who defended the conduct of the Irish Bank; and this discount has lately been stated in the House of Commons by several persons

* See the account of Irish Bank notes in the Appendix.

well acquainted with the internal state of Ireland, to be upwards of 10 per cent. The same cause, to which this depreciation is to be attributed, has also affected in a most remarkable degree the state of the exchange; having in 1801 produced a loss of 7 per cent. on all money remitted to London, and of 18 per cent. on the remittances from Dublin through London to Hamburgh. The loss on money remitted to London has increased at different times in the last and present year to 10 and 11 per cent. The history of commerce does not afford a single instance of so great an irregularity in the exchange between any two countries, except in the case of a depreciated currency.

The derangement of the Irish currency is felt even in the transactions of Dublin with some of the provincial towns. At Belfast and in its neighbourhood Bank of Ireland notes have never acquired any general circulation. The currency is carried on either in specie or in the notes of private bankers payable in that manner. This difference between the currencies of Dublin and Belfast has produced an actual exchange between the two places in favour of the latter. Where payments are made at Belfast

in Irish Bank notes, an additional amount is paid proportioned to the discount. It appears also that in the commercial transactions between Great Britain and the different parts of Ireland the rate of exchange differs according to the different standards of currency at Dublin and Belfast; and that money is remitted from the latter place at the same average rate of exchange as before the Restriction*.

Since the suspension of payments in specie at the

* The manufacturers of the North of Ireland have lately held public meetings, at which they entered into Resolutions expressive of their determination to support the Irish Bank and the circulation of their notes. By these resolutions they exhorted the land owners of that part of Ireland from *patriotic motives* to accept bank notes at par in payment of their rents. But the landholders have very wisely refused to listen to advice, by which they would lose more than 10 per cent. upon all rents payable under existing contracts, and expose themselves to additional loss by further depreciation. They do not chuse to submit to an income tax, which is levied not for the benefit of Government, but of the proprietors of Irish Bank stock. The manufacturers who urged this request, have the means of indemnifying themselves against the loss which may be sustained by their support of the Irish Bank, by an additional charge upon their goods; and it has been stated in the House of Commons that they have determined upon an advance of 10 per cent.

Bank of Ireland, the exchange has, with the exception of the first year, been in a greater or less degree uniformly unfavourable to that country. But it appears that, under all the variety of circumstances affecting the commerce or the safety of Ireland during the course of the last twenty years, the balance of trade has never produced any considerable variation in the state of the exchange. There seems, upon the whole, to have been a very great uniformity; the exchange having in some cases been one and a half per cent. in favour of London, which has in other instances been compensated by an exchange in favour of Dublin.

A due attention to the commercial relations of Ireland may satisfy us that this uniformly unfavourable exchange against Dublin must be in a great measure nominal, and that it can upon no intelligible principles have been produced by an actual balance of trade against Ireland. A *really* unfavourable exchange would imply that there had been, during all this period, a constant excess of imports above exports, and a constant remittance of bullion or specie to pay for the difference. Where a country does not possess considerable mines, such a conti-

nued remittance of the precious metals can only be made in consequence of corresponding remittances from other countries; and it therefore implies a constantly favourable exchange in some other quarter. But Ireland has no regular course of exchange with any part of the world except through the intervention of England.

Since the year 1798, the exchange, upon an average, has been more than 5 per cent. against Ireland; and to this the depreciation of the English currency also must be added, in order to estimate the total loss which the people of Ireland and the English possessors of Irish property have suffered from this unfavourable exchange; because the exchange refers to the standard of the British currency, which, from the facts already adduced, appears itself to be in a degraded state. The rate of bullion is the only standard by which the degree of depreciation can be estimated under these circumstances; and it appears that the price of silver in Dublin has experienced a very great advance, having varied from 6s. 6d. to 7s. Irish currency; an increase which, estimating the mint price at 5s. 7d., is from 14 to 20 per cent.

Though no parliamentary investigation has taken place respecting the capital or circumstances of the Irish Bank, yet no doubt has ever been entertained of their ability to perform their engagements; and it seems quite certain that the circulation of their notes has not been injured nor their value lessened by any apprehension concerning their solvency. It is possible indeed that the dangerous situation of Ireland at different times since February 1797, may have occasioned an unwillingness to accept a currency not possessing intrinsic value. It may be remarked also that, in consequence of the more ignorant and uncivilized state of Ireland, forgeries have been much more common in that country than in England; and indeed the Irish Bank do not appear to have paid sufficient attention to those improvements in the manufacture of their paper and engraving of their notes, which have been adopted with some success and advantage by the Bank of England. These circumstances may have had a certain effect in reducing the value of Irish bank paper. But there is no reason to think that their influence has been considerable; and it may be safely inferred, from the fact of the depression of the exchange having been so gradual and so duly proportioned to

the increasing issues of the Bank, that by far the greatest part of the depreciation, which has taken place, must be altogether attributed to an excess in the quantity of notes.

There is so much difficulty in adjusting and regulating a paper currency, not limited by the power of conversion into specie, that slight mistakes, or a small excess above the quantity which would naturally circulate, ought not to be very severely censured in those who have the management of such a circulation. In the performance of so arduous a task they would have entitled themselves to considerable praise from their very errors, if these had been immediately corrected, and if an excessive and improvident issue of notes had been followed by measures of greater prudence and caution. But the evidence of misconduct afforded by the transactions of the Irish Bank is too complete to admit of any reasonable doubt. The concurring circumstances of an excessive price of silver, of a high and increasing exchange against Ireland, and of an actual discount upon Bank notes, must have been felt and experienced in the daily and ordinary transactions of commerce; and these facts, in the mind of every

man who was informed of the proceedings of the Irish Bank, must have immediately connected themselves with the enormous increase of the paper currency as the proper cause of the derangement. Yet, notwithstanding these proofs of a depreciated currency, the Directors of the Bank of Ireland have still persisted in maintaining the circulation of the present high and unprecedented amount of their notes. It is impossible, under such circumstances, to acquit them of the charge of gross misconduct, even upon the probable supposition of great ignorance and inexperience. An important trust, which upon mistaken principles of political necessity was committed to this corporate body by Parliament for the public benefit, appears to have been perverted to the private interest of the proprietors of their stock*. An un-

* Since the Restriction of February 1797 the Bank of England have declared several *bonus's* on the capital of their stock; and notwithstanding a very considerable loss during last year occasioned by the fraud of one of their officers, they have advanced the 5 per cent. property tax without diminishing the dividends of their proprietors. During the same period the Irish Bank have at different times increased their dividends, and in the present year have declared a *bonus* of 5 per cent. in addition to an increase of dividend from $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent.

due advantage has been obtained by the Bank in the exact degree of the excess of their notes; but the loss and injury to the public, as in all cases of depreciated currency, has been in a much greater proportion. An indirect tax is thus imposed upon the community, not for the benefit of the public, but of individuals. It is levied in the most pernicious manner; and is of all taxes the least productive in proportion to the loss and inconvenience sustained.

If the expressions which have been used concerning the Directors of the Irish Bank should be thought harsh and severe, when applied to men who are respectable as merchants, and who probably discharge with propriety the duties of their private stations in society; it may be answered, that the observations appear to be warranted by facts, and that they relate to the conduct of the Directors as a corporate body, and not to their characters as individuals. An appeal has been made on the present, as on similar occasions, to the personal merits of those who are the subject of the charge; but this defence, though in these cases perhaps the most frequent, is of all others the least satisfactory or conclusive. It is an unfortunate but most unquestionable fact, that the stan-

dards of public and private morality are in many minds extremely different; and that, when acting as members of public bodies, men are often found to acquiesce in measures, and even to avow principles, which they would acknowledge to be dishonourable in common life. The restraint of public opinion, one of the most effectual securities of human virtue, is much diminished on those occasions where we act in concert and conjunction with many others; and as applied to the proceedings of corporate bodies, for which no individual member is responsible, it seems to be altogether without influence. If to these considerations we add, that the transactions of the Irish Bank have till the last year undergone no public inquiry or examination, and that the account of their notes was then for the first time required by Parliament, we shall be at no loss to explain the reasons why the public conduct of the Directors has been so contrary to those principles of honour and good faith which they probably maintain in private life. "All men," says Mr. Burke, "possessed of "an uncontrolled discretionary power, tending to "the aggrandizement and profit of their own body, "have always abused it; and I see no particular "sanctity in our own times that is likely by a mi-

"raculous operation to overrule the course of na-"ture."

Whatever may be our opinion respecting the propriety of continuing to the Directors of the Bank of England the unlimited powers which they now possess under the Act of Suspension, yet experience has clearly shewn that the Directors of the Irish Bank are altogether unworthy of this confidence; and that it is of the greatest importance to the commercial and monied interests of that part of the Empire, that the currency of that country should no longer be exposed to a continuance of the present abuses.

The obvious and only true remedy of these disorders in the currency of Ireland is a return to the former system of payments in specie. But this remedy cannot with any justice or propriety be applied while the restriction of the Bank of England continues; since it would be very difficult, or perhaps impracticable, for the Irish Bank during this period to provide the necessary supply of specie. The only temporary expedient which it remains for the Legislature to adopt, is to fix some positive and effectual

limitation to the issue of notes by the Bank of Ireland. But we have already seen, in the former part of this work, the great and insuperable difficulty of assigning any limit founded upon a supposed estimate or calculation of the quantity of circulating medium which the present state of Ireland would require. It seems therefore more safe and prudent to resort at once to a plain and practical rule, in the application of which there would be no difficulty or inconvenience. The measure which was proposed upon this occasion in Parliament was, *an obligation upon the Irish Bank to pay, upon demand, in notes of the Bank of England.* A regulation of this kind would impose upon the Irish Directors the necessity of restraining the issue of their notes, and of bringing them to the standard of the English currency, which appears to be much less depreciated than that of Ireland. It could not reasonably be complained of as an act of injustice towards the Irish Bank, which prior to the restriction of 1797 was under the obligation of paying in the British currency of gold, and might now, with equal propriety, be called upon to liquidate its debts according to the present currency of this country.

It was the object of the proposed regulation to restore the Irish currency to the level of that of Great Britain by placing the Bank of Ireland in the same situation with the chartered banks of Scotland; with respect to which no greater inconvenience has been suffered, nor has there been any greater depreciation of currency since the Restriction of 1797, than has been experienced in England during the same period. The reason of this is obvious; because the currency of every part of Great Britain may be resolved at the will of the holder into *one common medium*. The power of converting the paper of the chartered banks into English Bank notes or English bills of exchange according to the convenience of the parties, prevents in the most simple and effectual manner any excess of the currency of Scotland beyond that of London. The banks of England and Ireland, in consequence of the suspension of payments in specie, have been made independent of every controul over the issue of their notes, except their own discretion and forbearance. If the same privilege had been extended to the chartered banks of Scotland, it is impossible to suppose that the currency of that coun-

try would not have undergone an alteration, and produced an unfavourable exchange between Edinburgh and London.

An unlimited paper currency cannot exist in any shape or under any circumstances with security or advantage to the public; but it is least in danger of being grossly abused when it is intrusted to some *one* experienced and responsible body. The establishment of *independent* banks in different parts of the empire has the necessary consequence of subjecting the value of the circulating medium to perpetual fluctuations in every district in which such banks are established. Under such a system the notes of the several banks, like the degraded coins of different countries, must vary in their relative values, and be depreciated in different proportions according to the various degrees of prudence and moderation with which the power of issuing the notes is exercised.

The proposed regulation would not promote in any considerable degree the circulation of English Bank notes in Ireland, because they would for several obvious reasons, and particularly on account of

the danger of forgery, be a very inconvenient medium of exchange in that country. It is for the same reasons indeed that such notes circulate at present so little in the distant parts of England, or in Scotland. Like the gold coin prior to 1797, they are the standard of currency in those districts, but appear very little in general circulation.

It has been urged as an objection to the proposed obligation upon the Irish Bank to pay upon demand in English Bank notes, that it would compel the Directors to issue gold for the purchase of these notes, and thus defeat the purpose of the Act of Restriction. But it may be easily shewn that no such effect would take place. The notes of the Bank of England would be purchased in the same manner as every other English commodity, not with gold but with good bills of exchange on England, for which Irish notes would be paid. But if the Bank of Ireland continued to discount as largely as at present, and to maintain the same quantity of their notes in circulation, they would soon discover that they carried on a very disadvantageous trade, and that the loss in the exchange was much more than equivalent to the profit of discounting. The Direc-

tors would be convinced by a very short experience (if they can be supposed to be now ignorant) that a reduction in the issue of their notes would produce a correspondent improvement in the exchange; till at length, when the amount of their notes was sufficiently diminished, they would no longer be called upon for Bank of England notes. The whole effect of the regulation would be to keep down the redundant quantity of Irish notes, and raise their value to the level of the British currency; and not in the least, as has been erroneously supposed, to extend the circulation of English notes to Ireland; because a preference must always be given to Irish Bank notes, unless where the inferiority of value in the latter is more than sufficient to counterbalance the manifest inconveniences of employing foreign paper as the medium either of circulation or exchange.

The obligation of paying in English Bank notes would unquestionably make it necessary for the Irish Bank Directors to narrow their discounts, and to limit the accommodations which they at present afford to the merchants of Ireland; and great commercial embarrassment would certainly ensue if this

assistance, in the extent in which it is now afforded, was very suddenly and abruptly withdrawn. This therefore has very properly been urged as one of the difficulties of the proposed measure. But the inconvenience might, it is probable, be sufficiently obviated, and any sudden shock prevented, by allowing sufficient time to the Bank for a cautious and very gradual diminution of their notes. If it should still, however, appear that some inconvenience is unavoidable, it could not reasonably be stated as an objection of much weight or importance. An inconvenience of the same nature, and of much greater extent, *must* at some time happen, and will be the inevitable consequence of the renewal of payments in specie, at whatever time that event shall take place. The regulation which is now proposed would be a first and preparatory step to that measure; and, by making the change more gradual, would diminish, or perhaps entirely prevent, the embarrassments which might result from a great and sudden diminution in the quantity of the circulating medium. It would at the same time have the effect of establishing one common standard of currency for the two great divisions of the empire.

In conformity to this opinion, a clause to compel the Bank of Ireland to pay upon demand in English notes was moved in the Committee of the House of Lords on the renewal of the Bill in 1803 for the suspension of cash payments in Ireland; and in order that the diminution of Irish notes might be as gradual and attended with as little inconvenience as possible, it was proposed that the operation of the clause should not commence till six months after the passing of the Act. But on further considering the probable amount of the excess of Irish notes and the great reduction which will be necessary, it seems doubtful whether this time would be sufficient; and whether a still longer period ought not to be allowed. Perhaps a regulation obliging the Irish Bank to reduce a given amount every month till the exchange is brought to par (if such a measure could be enforced) would be the best practical expedient; as it would leave very little to the discretion of the Directors, who may reasonably be suspected of being almost as deficient in skill and judgment as they evidently have been in a sense of their duty towards the public.

The irregularities in the currency of Ireland ap-

pear for some time to have attracted the attention of persons connected with the government of that country, and to have produced a suspicion of some errors in the conduct, or some defect in the constitution, of the Irish Bank. In order to obviate the evils which have been experienced, a proposal is said to have been made for the consolidation of the two national Banks of England and Ireland. But, though this measure is supposed to have had the approbation of some distinguished characters, it is difficult to understand in what its public advantage would consist; or why it is more to be desired than an union of the chartered Banks of Scotland with the English national Bank. The proposal, and the favour with which it has been received, can be attributed only to a certain predilection which exists in some minds for great and splendid establishments abstracted from any consideration of their utility; but, like many other specious and imposing projects, it would probably disappoint the sanguine expectation of its admirers. The only plausible ground upon which such a measure could be recommended, would be its supposed tendency to increase the credit of the Irish Bank notes, and to restore their value in circulation. But it does not appear that the solvency

of the Irish Bank has ever been suspected; and it has been clearly seen, in the course of these pages, that an unlimited paper currency cannot be preserved from depreciation by any degree of public confidence, unless there is also great prudence and caution on the part of those who issue the notes. Upon the supposition of an union between the two Banks, the currency of that country must still remain under the management of the present Directors. But it would be difficult to shew how the extension of a great establishment, and a more divided responsibility, could have any tendency to improve the principles or conduct of its individual members; or in what respect an alliance with the Bank of England would produce in the Irish Directors a more judicious system of management, or a stronger sense of public duty. The countenance which the project of a consolidation of the two national Banks is said to have obtained in certain quarters makes it necessary that this should be mentioned among other projected remedies of the Irish currency; though it is by no means probable that the measure will ever be carried into effect, or that the English Bank Directors will consent to such an union.

The great addition to the quantity of Irish Bank notes affords so clear and natural a solution of the unfavourable state of the exchange, and is so consistent with the acknowledged depreciation of the currency, that it may appear almost superfluous to advert to any of the various attempts which have been made by those who have controverted this opinion, to explain the facts upon different principles. But for the sake of illustrating a subject, which from the mistakes of the most experienced reasoners must be acknowledged to be somewhat obscure, it may be of great use to consider some of the most usual and popular objections.

It was strongly insisted in the debates of the House of Peers, and has been repeated in several publications, that the number of absentees who draw their rents from Ireland, the Irish creditors resident in England who receive their interest and dividends from thence, together with the necessity of importing various articles of English produce of which the price has lately been much increased, must necessarily produce an unfavourable state of exchange; and that, whatever may be the proportion

of commercial exports and imports, the great remittances for the purposes which have been mentioned must in all cases turn the balance very greatly to the disadvantage of Ireland. This effect was supposed to be much aggravated by the increase of remittances since the Union.

Such an objection cannot be seriously urged, except by those who have taken a very slight and superficial view of the subject, and are little conversant with the nature of commercial exchanges. It must undoubtedly be admitted that very considerable payments arising from Irish property are annually made to residents in England, and that these have probably increased since the Union; but it by no means follows that these payments have been made by an actual transfer of specie or bullion; which transfer, it has already been observed, is always implied in a *really* unfavourable exchange. Such continued remittances cannot possibly be made by a nation, like Ireland, which has no means of providing a constant supply of the precious metals. A country, which is so circumstanced, does not export any part of its gold and silver except upon some sudden and unforeseen emergency not connected with the ordi-

nary course of commerce*. Its constant and regular foreign expences (those which form a part of its system of trade, or arise out of its established relations with other countries) can only be provided for by exporting the annual produce of its land and labour. There is indeed no other mode of paying such remittances; unless it could be imagined that specie or bullion was imported for the mere purpose of re-exportation; an opinion which would be manifestly contradictory and absurd†. In the case of

* Such, for example, as the foreign subsidies and demands for corn, which have been often alluded to in the course of this Work; in which cases there being a sudden demand for bullion without the means of immediate supply, the price rises beyond its natural level, and forces out a part of the specie and of that average quantity of the precious metals which is required for commerce and manufactures. Yet even in these instances it is probable that the greater part of the remittances was paid by an increase of exports and diminutions of imports. The alarms for the safety of Ireland which prevailed in 1798 and 1803, by occasioning great and sudden remittances to this country, may be mentioned also among the causes which might force out a certain quantity of specie and affect the rate of exchange.

† Yet this is asserted in strong terms by an anonymous writer, who appears to have taken great pains upon this subject and to

Ireland it is evident that the course of trade and the proportion of the exports and imports must adjust themselves to the nature of its connection with Great Britain. In proportion to the increased necessity of remittances to this country the exports of Irish produce and manufactures must be increased, and the imports of English produce and manufactures diminished, till the amount of foreign demands is paid by Irish exports and the balance of trade is restored.

write with very fair intentions, in an *Enquiry into the Depreciation of Irish Bank Paper* lately published at Dublin. The work contains many just opinions with respect to the great evil and injustice of a depreciated currency; but neither explains the cause nor proposes an adequate remedy. From the acknowledged solvency of the Irish Bank the writer argues that it is impossible their notes can be depreciated, not comprehending that this effect may be produced by excess of quantity. He attributes the evil to what he calls the balance of remittances, which he distinguishes from the balance of trade: but the distinction, for the reasons which are given in the text, is without a difference. The remedy which he proposes is the payment of dividends and all public debts in English Bank notes; a measure of justice to the individuals to whom those sums were paid; but which leaving the Irish Bank at full liberty to extend their issues, would not remove the existing evil, so long as Irish notes continue to be the standard of currency.

This operation of commerce is much assisted by the fact itself which creates the demand for remittances. The residence of Irish proprietors in England has the necessary effect of diminishing the Irish imports, because the expenditure of revenue is transferred to another country; and it also increases the export of that produce which is no longer consumed at home. If any doubt should remain as to the manner in which Irish remittances are made, the truth of the above opinion would be established by an appeal to facts. By a reference to the Custom-house books at Dublin for the year ending on the 5th of January 1804 it appears that there has been an excess of the exports above the imports of 900,000l. The same, in different degrees, is probably true of preceding years.

Another topic, of more general interest and importance, has been much insisted on, in the discussion of the present question, by the advocates of the Irish Bank. They have asserted that the disorder so visible in the circulation and state of exchange is in a great measure to be ascribed to the extended

system of country banks and the increased amount of that description of notes. As this supposed cause of a depreciated currency is not confined to Ireland, but exists at least in an equal degree in our own country, it is entitled to very particular consideration. The subject of country banks has been much discussed since paper credit has become so interesting a question; and the general opinion, so far as it can be collected from speeches in Parliament and the language of popular writers, seems on many occasions to have been unfavourable to them. Many of the supposed evils arising from paper circulation have been imputed altogether to these establishments; and a hope has been frequently expressed that they should be made the subject of some species of legal restriction. The difficulty of framing any specific regulation upon this subject has been sometimes stated as the only reason why such a measure has not yet been proposed to the consideration of the Legislature. As the nature and effects of country banks seem to have been much misrepresented, a few general remarks on their advantages may be permitted in a work on paper circulation, however obvious some of these topics may appear to

to persons who are conversant with these enquiries*.

It is wholly unnecessary upon this occasion to enter into any general defence of the principles of commercial freedom. Those principles have been repeatedly established by the most decisive arguments; and their good effects are so conspicuous in the commerce and manufactures of this country, that they are usually admitted in theory even by those persons who contradict and desert them by their practice. It may in general be affirmed that the very existence of any particular employment and of any branch of trade in a state of freedom is alone a proof of its utility. The system of banking, like every other improvement by which labour is abridged, divided or simplified, is the natural produce of a refined and civilized state of society. It can arise only out of the public demand for such an employment of capital, and such a species of

* The general advantages of country banks are candidly admitted, and fully explained by Mr. Thornton in his *Essay on Paper Credit,* chap. 7.

skill and knowledge; its success must depend altogether upon its utility; and it is profitable to the undertaker in the exact degree in which it contributes to the advantage or convenience of the public.

The proof of the beneficial effects of the banking system does not depend solely upon general presumption, but is established by an appeal to experience and facts. It is an error to suppose that this branch of employment is of late or sudden growth; it has gradually arisen in the natural course of commercial improvement. It is well known that long before the general establishment of regular banks, there were in most market towns of England responsible tradesmen, who gained a profit by drawing and discounting bills, and who found it their interest to establish a regular correspondence in London for this purpose. An important part of the banking business existed and was practised in these cases; but, being connected with some other branch of trade, the name of a banker was wanting. During late years, in consequence of the increase of wealth and extension of commerce, regular banks have been established in those places by persons who confine themselves to that branch of business. But it is a

general maxim, confirmed by all experience, that skill is improved in proportion as labour is divided; and there can be no doubt that commercial transactions have been much facilitated and promoted by these establishments.

In a great commercial country, there is indeed the most obvious necessity for such a particular branch of industry, in order to carry on the payments either between distant places, or between the capital and the remote provinces. The tradesman applies upon these occasions to the banker; because the latter by means of his various connections and correspondents can either make a remittance to a distant part, or procure a payment from thence, with much greater ease, expedition and cheapness than persons not engaged in that business; and a considerable degree of risque, delay and inconvenience is thus saved to individuals at a comparatively small expence. But the ease and expedition with which these pecuniary transactions are carried on, must evidently tend to facilitate all commercial intercourse, and must contribute in a peculiar degree to the advantage of the internal trade of the country, of all different branches of commerce the most important and beneficial. In

this view of the subject, it must appear that the advantage arising from the banking system is of the same kind, though produced by different means, as that which is derived from the formation of new roads or canals, or any other improvement by which communication is promoted or industry rendered more active.

The general benefits of paper currency are assumed in the present discussion, and most assuredly will not be contested by the advocates of the Bank of England. But it is impossible that any extensive country can have the full advantage of a great paper circulation without the assistance of provincial banks. There are several reasons why a paper currency, which is issued by a national bank and is payable only in the capital, can never circulate with great advantage or to any considerable extent in the distant provinces. To the complete success of a paper circulation it is necessary that there should be no considerable danger or apprehension of forgery, and that there should be the means of ready and immediate payment. But this degree of convenience and security can be found only in notes which

is issued and payable in the immediate neighbourhood, or within a moderate distance.

Forgeries are prevented by the care and vigilance which provincial banks by their local situation are enabled to exercise in their own immediate districts, within which their notes chiefly circulate. A national bank can never exert the same degree of vigilance in distant provinces, even though its conductors had the same strong interest in the detection which is felt by individual bankers, who sustain the whole loss and discredit occasioned by suspicions of forgery.

Country banks are beneficial to the public in another respect, by affording a security against many of the evils which are inseparable from a great paper circulation. In consequence of the very general use of bills of exchange the credit of different traders, their cautious or improvident conduct, and the general course of commercial transactions in each particular district, may be discovered with tolerable certainty from the state of its negotiable securities. From the nature of their employment bankers have the

most effectual means of detecting the various practices of accommodation bills, of drawing and redrawing, and other abuses to which the system of paper credit is exposed; and it is their own particular interest, as well as that of the public, that such transactions should be discouraged and prevented. The knowledge that such expedients for raising money are likely to be discovered, though it may not entirely prevent these practices, must evidently diminish their frequency.

The multiplication of banks, as is observed by Dr. A. Smith*, instead of diminishing, greatly increases the security of the public. The circulation of notes being divided into a greater number of parts, the failure of any one company becomes of less importance and occasions less embarrassment. The competition of rival banks produces in all of them greater caution, and more skilful and judicious management. It is indeed by no means improbable that the country banks have indirectly contributed to the success and security of the Bank of England, by rendering the Directors of that establishment more

* Wealth of Nations, i. 498.

cautious and circumspect than they might perhaps have been under other circumstances.

A very numerous party have ascribed to the establishment of provincial banks a great part among the causes which have contributed to the late increase in the price of provisions. The charge appears to be founded upon the advantage which they afford to farmers and dealers, by assisting them with loans and credit, and enabling them to withhold their produce from market. It is impossible on the present occasion to enter at large into this topic. A very long work would be necessary to convince such reasoners of their error, since they are evidently unacquainted with the first principles of that science upon which they presume to judge. It may now be considered as one of the best established doctrines of political œconomy, that the interests of the producer and the consumer do not really differ; and that it is the tendency of all speculations in articles of sale to produce a regular and uniform supply, and to bring prices as nearly as possible to a state of equality. It will follow from hence that the interests of society must be promoted by increasing the means of pecuniary accommodation, and by affording a judicious

credit, which may enable farmers and dealers to exercise their skill and judgment in the most unrestrained manner as to the time and mode of bringing their productions to sale with the greatest advantage. It is also to be observed, that every mode of employment by which time and labour are saved, and indeed all commercial improvements whatever, must contribute to general cheapness.

That country-banks have been often established upon insecure principles, and that they have sometimes engaged in imprudent and improper speculations, are facts which no reasonable man will deny. But to lay great stress upon such instances would be like producing the weekly lists of bankruptcies in London as arguments against the general advantages of commerce. It must always be remembered that from necessary causes the great majority of mercantile speculations are useful and profitable. There are unquestionably in all rich and commercial countries certain periods of enterprise and adventure, in which either from want of information or from some temporary circumstance, particular branches of trade are pursued too eagerly and carried too far. But as the error in such cases must soon be discovered, these

irregularities can never be of any long continuance. The failures, to which every course of over-trading gives rise, are the natural and only true remedies of such excesses.

It has been strongly urged as a subject of charge against country banks that, by the occasional embarrassments to which they are exposed, they are frequently obliged to have recourse to the Bank of England for large quantities of specie; and that at different periods prior to February 1797 they occasioned very great inconvenience to that establishment by these sudden and unexpected demands. It seems indeed probable that the increased number of country banks made it necessary for the Bank of England to increase its deposits of specie. But this is an inconvenience which must unavoidably result from a great extension of paper currency, and from the monopoly which is given to the Bank of England by the Legislature. In consequence of this monopoly the Bank is the only great deposit of gold in the kingdom; and it has undertaken the task of supplying the demands of the public for specie in return for the benefits enjoyed by means of its exclusive privileges. The real extent of this grievance

has never been distinctly explained by the advocates of the Bank; and it has probably been much exaggerated. But it cannot with any justice be stated as an argument why either the Bank of England should be released from the obligation of performing its contracts, or country banks should on this account be made subject to legal restrictions. The sudden demands which were made upon the Bank during the late war appear to have arisen from political circumstances, and must have happened though no country banks had existed. When the causes which produced the stoppage of the Bank were investigated in Parliament during the session of 1797, it appeared from the evidence, and was distinctly stated by the Reports of the Committees, that the Imperial loans and other circumstances producing a great expenditure on the Continent had diminished the usual quantity of bullion at the Bank, and disabled the Directors from meeting a temporary alarm*. No material part of the

* Mr. Thornton in his *Essay on Paper Credit* has discussed at considerable length the causes of the embarrassment of the Bank, which he attributes in a great degree to the limitation of discounts and the consequent restricted issue of Bank paper. He compares the crisis of 1797 to the difficulties experienced in 1793, in which it is well known that the issue of commercial

embarrassment was then attributed to country banks, nor were they much the subjects of discussion in Parliament. It is indeed difficult to discover from what cause the present complaints and prejudices against them have originated, except from their supposed influence on the prices of provisions, of all the charges which have been made against them the most groundless and unreasonable.

Having considered generally the beneficial effects

Exchequer bills to the amount of about two millions and a half put an immediate end to the difficulties which were then experienced. But the two cases will appear on consideration to differ in some important respects. In 1793 a state of extraordinary commercial prosperity and confidence was suddenly checked by the war, and a violent shock was given to the paper circulation of the country. Several great failures took place in different parts of England: an universal panic ensued; and a great demand for cash or Bank notes was made upon the metropolis. But the Bank was compelled to restrain its accommodations, and limit its discounts by the general insecurity of the times. At this juncture Commissioners under the authority of Parliament gave a credit to responsible persons in want of immediate pecuniary assistance, which individuals or a commercial body could not prudently have given; and the guarantee of Government enabled those who held it, to apply to the Bank for an extension of their discounts, which might then be safely granted

of country banks and the principal charges which have been urged against them by their opponents, it will be proper to advert to the particular objection which is more immediately connected with the subject of the present Enquiry. It has been frequently asserted by those, who have defended the cause of the Bank of England, that the excessive issue of country bank notes has produced a general depreciation of currency. Mr. Thornton indeed, the most able and judicious of their advocates, has candidly acknowledged

on the security of the new Exchequer bills.----In the beginning of the year 1797 there were no great failures, nor any general apprehension of insolvency among commercial persons. A sudden alarm of invasion, and apprehension of insecurity, appear to have been the causes which at that time produced a discredit of Bank notes. In this state of opinion the public were not satisfied with any currency except gold and silver; and it is most probable that any new issue of notes would have been immediately returned upon the Bank to be exchanged for cash, and would have contributed to increase the embarrassment. The real nature of the grievance appears to have been fully understood at the time. No person then thought of proposing an issue of commercial Exchequer bills, notwithstanding the experience of their good effects in 1793. Yet if the diminution of Bank notes in 1797 had been occasioned by commercial insecurity, and not by a demand for specie, this was an obvious remedy.

that this popular opinion is entirely unfounded. He admits, what may in truth be asserted as an universal rule, that the circulation of all banks is limited by the extent of their capital and the public demand for their notes. They can in no case transgress these limits without considerable danger. The contrary supposition will be found to involve the greatest absurdities. If country bankers really possessed this power, it must necessarily follow that there would be great partial depreciations; and that the value of the currency and prices of commodities would vary according to the different degrees, in which the due quantity of notes for circulation was exceeded by the bankers of different districts. But no such irregularities are, in fact, ever experienced. An excessive issue of notes by any particular banker is soon detected, if not by the public, at least by the interested vigilance of his rivals; an alarm is excited; and he is immediately called upon to exchange a very large portion of his notes in circulation for that currency in which they are payable. Such a demand is always attended with great loss and often with total ruin; and the knowledge that such consequences may be expected will deter bankers in general from making these experiments.

Though this argument in favour of provincial banks is merely negative it ought to satisfy every reasonable mind, since it completely proves the existence of a practical limit to notes of that description, though it does not shew the precise manner in which the limitation takes place. But the contrary doctrine is so prevalent, and the whole subject is of so much importance, that it may be proper to attempt a more direct proof of the truth of this opinion. Many persons who admit the impolicy and injurious effects of the Bank restriction, have at the same time great prejudices against country banks, and are persuaded that the increased amount of their notes has added to the evil and contributed to aggravate the general depreciation. On the first view of the subject it might seem probable that every addition of paper currency, of whatever description, would have a tendency to depreciate the value of the whole by increasing that excess which is itself the cause of the evil. But it will appear, on further consideration, that the paper of private banks immediately convertible into Bank of England notes has no effect on the value of general currency; the notes of private bankers being at present regulated by the standard of Bank notes in the same manner as paper

currency of every description was formerly regulated by the gold coin. This opinion is by no means inconsistent with what is often alleged and what must be admitted as an undoubted fact; that there has been a great increase of the notes of private banks since the Act of Restriction of 1797. It may be easily shewn that this increase is an immediate consequence of that measure, and that the additions to the amount of Bank of England notes since that time have had the necessary effect of increasing in an equal proportion the paper of private banks.

The system of paper credit in this country owes its existence and its whole form and structure to the natural course of commercial improvement operating under an entire freedom from legislative restraint. The same principle of public convenience, which originally suggested the use of paper currency, occasions also the adoption of notes of various descriptions, adapts them to certain districts, and adjusts and determines the limits within which they circulate. The paper of the Bank of England, though it is the standard of currency and may occasionally be used for remittances through every

part of the kingdom, does not circulate generally and for common and daily payments, except in London and within a certain distance from thence. The notes of the chartered banks of Scotland are confined to Edinburgh and its district. Those of the several provincial banks circulate in their immediate neighbourhood, or within what may be termed the natural districts of the banks which issue them. This practice prevails so universally, and the exceptions are so rare, that it may be considered as a general rule on the subject of paper credit, that the circulation of any description of notes cannot be extended (at least for the ordinary purposes of exchange) to any considerable distance from the banks which issue them without great public inconvenience; and that such an extended circulation never in fact takes place under ordinary circumstances and in a state of commercial freedom. The danger of forgeries, the difficulty of detection, the trouble of converting the notes into specie or into other notes when too much worn, are all considerably increased by a very wide and distant circulation. These circumstances, together with the efforts of rival bankers, confine the paper of each bank within its particular district or *sphere of circulation.* All attempts to extend this

sphere are effectually resisted ; and every note, which is accidentally carried beyond its proper limits, is transmitted to the bank from which it issues for immediate payment.

As the public convenience determines the *limits* of the various districts of circulation, so it ascertains the *quantity* of notes within each district. It must always be remembered that currency, whether consisting of specie or paper, is in itself wholly unproductive, and that every superfluous quantity in the hands of individuals is attended with a positive loss to the holder. There is therefore a constant effort on the part of each individual to reduce this quantity as much as possible ; and from hence have arisen the various inventions of banks and paper credit and all the other expedients for œconomizing currency which have been mentioned in a former part of this Work. Where the currency of a country consists entirely of the precious metals, it has never been doubted that, if the quantity of specie is improperly increased, whether by Government or from other causes, it will immediately be reduced within its due limits by the care and attention of individuals, which will always prevent any permanent excess of the cir-

culating medium. But the same inducement to diminish the quantity and prevent the excess of currency must operate with equal force in all given cases, and whether the medium of exchange consists of coin or paper. The notes of private banks are as much the representatives of value as any other species of currency, and their circulation is regulated by the same principles. So far as they are necessary for effecting the payments and circulating the wealth of the district, they merely supply the place of the specie which would otherwise be employed, and cannot therefore affect the general value of money. If they exceed the quantity which is requisite for these purposes, the excess will be returned upon the Bank, to be exchanged for the currency in which they are payable. The experience of private bankers enables them to discover the average amount of this requisite quantity, and their profits and success altogether depend upon their adapting the supply of notes as nearly as possible to the demand.

It is thus that the medium of exchange, whatever it may be, which constitutes the standard of value and is the element into which all other currencies may ultimately be resolved, must determine the

quantity and value of every inferior currency. In a mixed circulation of coin and notes there can be no permanent superfluity of the latter, because they would in that case be exchanged for gold. Since Bank notes have become the standard, the circulating paper of private banks is in like manner guarded against excess within their particular districts by the power of conversion into Bank notes. Where the amount of the former exceeds the just proportion, they are immediately changed for Bank paper, which is transmitted to London in payments, and the currency of the district is relieved from the burden which has been thus occasioned.

There are therefore necessary causes which prevent the notes of private bankers from being depressed in their value below that of Bank notes. The same reasons also prove they must always be brought down to the level of the latter, and cannot be of any higher value; and that in every case where that portion of the currency which constitutes the general measure of exchange is degraded, there must be a corresponding depreciation of the *whole* of the circulating medium, however variously it may be composed. This will be evident from considering

the instance of a mixed currency of coin and paper; in which if the value of the coin is by any means suddenly reduced, the nominal rise of prices will require a corresponding addition to the circulating medium. If, for example, one million sterling of good coin and of full weight and purity is found by experience to be necessary for the circulation of any country, and this coin should be degraded 10 per cent.; the price of all commodities will rise in the same proportion, and the nominal million of base coin will be insufficient for the circulation of the same wealth, because it would contain only 900,000l. of intrinsic value. There must consequently be an addition of 10 per cent. to the degraded coin in order to contain the same value as before the depreciation. If, in the case which is here supposed, a certain part of the currency consists of paper, the latter portion also must be depreciated in the same degree as the coin of which it is the representative, and will require a similar increase. But an excess of Bank notes not convertible into specie has been shewn to be the same in its effects as a debasement of the coin; and when such notes are become the standard of value, and are depreciated by excess of quantity,

they must have the same influence in all respects on the notes of provincial banks and on the general mass of circulating paper.

It is a necessary consequence of this reasoning that the notes of private banks have increased since the Restriction of 1797 *in the same proportion as the issues of the Bank of England during that period.* The average amount of the latter at that time consisted of about eleven millions, and there has since been an increase of one half the original sum. The amount of country bank notes in February 1797 is not known; but assuming an arbitrary sum, and supposing them to be double the amount of Bank notes, there must have been an addition of twelve millions to that description of paper. This is stated upon the supposition that the districts of circulation of the public and private banks have remained the same. But if from a preference given to their notes, or any other reason of public convenience, the country banks have since 1797 encroached in any degree upon the district of the Bank of England, there must have been a still greater increase of their paper. If, on the contrary, Bank notes have acquired a wider circulation since 1797, the increase of country bank

notes has been proportionally smaller. As the profit of every bank arises from the amount of its notes, the channel of circulation in each district will be fully supplied, and the increase of private paper must at all times keep pace with that of the Bank of England. If the latter only had been depreciated, and if there was not a corresponding excess of country bank notes, the relative proportion of prices would be altered between London and those parts of the country where the currency was carried on in some more valuable medium, and an exchange would take place between London and the several districts of the provincial banks in favour of the latter and against the metropolis.

The truth of this theory, and the explanation which has been given, perhaps at too great length, of the manner in which all paper currency is influenced by that medium, which is the local standard of value, is practically illustrated by the instance which has formerly been mentioned of the exchange between Dublin and Belfast. It is manifest from this example that if the people of Scotland, like the landholders of the North of Ireland, had not acquiesced in the Act of

Restriction, but had insisted upon receiving gold in payment of their notes, the value of their currency would have been maintained and would now be of the standard of gold coin, while that of England has undergone a silent depreciation; and this advantage would be marked by an exchange in favour of Edinburgh, and a certain deduction on the amount of English Bank notes when circulated in Scotland. The superior value of the currency of the North of Ireland, consisting principally of the notes of private banks, which is now universally acknowledged, is a decisive proof not only of the abuses of the Irish Bank but of a fact which is far more interesting and important—that provincial banks are limited in their issues by the demands and convenience of the public, and that they have no power of reducing the value of general currency.

A due comparison of the advantages of country banks, which arise from the nature of the system, with their inconveniences, which depend entirely upon partial and accidental circumstances, may perhaps lead us to the conclusion that these establishments are, upon the whole, highly beneficial to the Public, and entitled to the protection of the Legis-

lature; and that to suppress the circulation of their notes, or to restrict them in any manner tending to give an exclusive privilege to the Bank of England, would be as unjust and impolitic as to grant a monopoly of any other branch of skill and industry to any private merchant or company. When we consider the nature of the banking system, of all other branches of trade the most complex and delicate, and deriving its very essence and existence from the confidence of the Public, it will appear that there is no subject upon which legislative interference would be more improper or more pernicious.

As THE COURSE of this discussion has been interrupted by the consideration of several subordinate topics of great importance, it may be necessary to recall the attention of the reader to the principal points which have been attempted to be established. This recapitulation of the general argument, together with a view of the injurious effects of the present system, and some remarks on the conduct which it may be proper for the Legislature to adopt

for the removal of the existing evils, will naturally close the present Enquiry.

The whole of the preceding argument rests upon a few great and undeniable principles:—that the indispensable requisite and only true foundation of every just medium of exchange is *intrinsic value*;—that the precious metals have been selected for this purpose, as possessing this quality at all times and places in the greatest degree and with the fewest variations;—and that the establishment of a medium of exchange, either not really possessing, or not truly representing intrinsic value, is contrary to the first principles of justice.

The advantages of a paper currency have in the course of this discussion been most fully admitted; but it has been shewn that these advantages altogether depend upon its being a just medium of exchange, that is, upon its being exactly equivalent to that quantity of the precious metals which would otherwise be employed for that purpose. In order that it may possess this value, it is necessary that a currency of this description should be immediately and unconditionally convertible into specie. The

power of this conversion is the only quality which can give it any just title to be considered as the representative of value, and the only security against the abuses to which such a currency is exposed. Without such a power it is in constant danger of being depreciated both by want of credit and excess of quantity. The operation of the former cause is uncertain and irregular, being dependent upon public opinion and the credit of the Government or Bank by which the notes are issued. But the latter cause is constant and uniform in its effects. Excess of quantity *must* depreciate the currency in proportion to the excess.

It has been stated that every depreciation of the circulating medium, by whatever means occasioned, must necessarily produce a corresponding effect upon all exchanges, and upon all prices. But as these are subject to great variations from other causes, the market price of bullion and the state of foreign exchanges have been selected, as furnishing in conjunction the most accurate criterion of the pure or depreciated state of a currency. If the depreciation is sufficiently considerable, it must in all cases be clearly discovered by these tests.

These general positions do not rest upon mere probability. They are consequences which necessarily result from the nature of the subjects to which they relate; and they have all the force and effect of demonstration. The application of these principles to the particular cases, which have been here considered, depends altogether upon reasoning of a different nature; and, as the conclusion is drawn from a long deduction of facts, there may be room for doubt as to particular inferences. Yet there appears on the whole to be such a concurrence of circumstances as to afford us all the assurance of which a subject, not capable of positive proof, will admit.

The principal steps and final result of this part of the argument may be thus shortly stated.—Since February 1797 the currency of Great Britain and Ireland has been carried on by a medium of exchange not possessing, and not truly representing, intrinsic value, and therefore capable of being depreciated by an excess of quantity. During the greater part of that time there have been the same variations in the market price of bullion, and in the state of the exchange, which ought, according to the above reasoning, to have taken place upon the supposition of

a depreciated currency. Upon a reference to the several accounts of the amount of Bank notes in circulation, it is found that precisely those circumstances which our theory would lead us to expect, have in reality happened; and that there has within the same period been a great and corresponding increase in the quantity of that currency. It is a fact which tends very strongly to illustrate and confirm the truth of this reasoning, that upon comparing the state of the exchange and of bullion with the amount of Bank notes, it appears that the effects have been proportioned in a most remarkable degree to the supposed cause;—that every successive addition to the notes in circulation has increased those unfavourable appearances in the exchange and price of silver from whence a depreciation was inferred; and, on the other hand, that the occasional diminutions in the quantity of notes have had an evident tendency to restore the value of the currency by improving the exchange and depressing the high price of bullion. From these circumstances and, above all, from the *permanent* effects which appear to have been produced upon the price of silver and the state of the exchange, notwithstanding all occasional causes of fluctuation, it has been inferred, upon strong

grounds of probability, that since the restriction of payments in specie in February 1797, and in consequence of that measure, the paper circulation both of Great Britain and Ireland has exceeded its proper limits, and that the currencies of both those countries have undergone a certain degree of depreciation; a fact which, with regard to the currency of the latter, is proved by evidence still more decisive, and which is now acknowledged to be an evil that calls for parliamentary interference.

Though the depreciation of the English currency is not sufficient to produce an actual difference in value between gold coin and bank notes in the ordinary transactions of commerce; yet its effect, though less perceptible, is not the less real or certain; and it must have contributed, together with other causes, to that general increase of prices and that diminution in the value of money which have taken place within a few years. The inconveniences which have resulted from hence are universally felt and experienced. The public creditors and that numerous class of society, who subsist upon limited or stipulated incomes, are injured in their property; the faith of contracts is indirectly violated, and those

alone escape loss who have the means of augmenting their revenue in the degree in which the value of money is reduced. Yet these evils are to a certain degree unavoidable, even in those cases where the currency remains in a state of the utmost purity. The precious metals themselves, though the best practical standards of value, are far short of perfect truth and accuracy. In process of time, and during a course of years, they are subject to great variations. From the necessary effect of additional taxes, and the greater expence of subsistence, all wages are gradually increased, and the same quantity of coin no longer represents the same portion of labour or commodities. That a great effect upon prices has been produced in this manner it is impossible to doubt. It is a fact much less certain, but by no means improbable, that a still further depreciation is imperceptibly taking place in consequence of an actual addition to the precious metals by an increased supply from the American mines*. What-

* The supposition of an increase in the general quantity of the precious metals is proposed only as a probable conjecture, founded upon the acknowledged fact of a great advance of prices throughout every part of Europe in very modern times. Per-

ever may be the true mode of accounting for this evil, the fact itself is certain, and it has been experienced in a most remarkable degree in our own time and country; yet, so long as it arose from natural and necessary causes, however it might be lamented, it was an inconvenience not admitting of any practical remedy. But the effect of the present restriction of payments in specie is to aggravate this great and unavoidable evil by direct legislative interference.

There may be some difference of opinion with respect to the force of this reasoning, as applied to the cases in question, or the degree of practical inconvenience which has been experienced in consequence of the restriction of cash payments; but it seems impossible, after a full consideration of the facts which have been adduced in the course of this enquiry, to

haps the increased use of paper currency in different countries where it was till lately unknown, and other modes of œconomizing specie, may have contributed to the same effect. It is to be recollected however that Dr. A. Smith, in considering the question of the increase of the precious metals with reference to the greater part of the last century, has maintained a different opinion.

entertain any doubt respecting the general danger of an unlimited paper currency, or the injustice and impolicy of persevering any longer in that system.

A due regard to *general rules*, and especially to the great rules of property, forms a most important part of the duty of a legislator. They are the foundations of all private and political security; and the only means by which great principles can be effectually protected against rash speculation and hasty and inconsiderate judgments. A strict adherence to these rules, and a deep sense of their value and importance, is the great characteristic which distinguishes civilized nations, and which marks the degree of political knowledge and improvement. It has in general distinguished the legislative proceedings of our own country, and may be justly regarded as one of the principal causes of our national prosperity and greatness. Yet a more extraordinary deviation from all general rules has never occurred than in that change in the system of our paper currency, which commenced in the Act of Suspension of 1797 and is still continued. A law to suspend the performance of contracts has been suffered to remain in force seven years, and has again been renewed for

an indefinite period. A power has been committed to the Directors of the Bank, which is not entrusted by the Constitution even to the Executive Government; a power of regulating, in a certain degree, the standard of national currency, and of varying this standard at their pleasure. A precedent has been established, by which, upon any suggestion of temporary expediency, the whole personal property and monied interests of the country may be committed to the discretion of a commercial body, not responsible to the Legislature and not known to the Constitution.

To the public creditor the Act of Restriction is a positive, though perhaps not intentional, breach of parliamentary faith. The Act was passed for a particular purpose and upon a great emergency, without adverting to this important consequence of the measure. But the public faith was clearly violated by compelling the creditor to receive Bank notes in payment of those dividends which were contracted to be paid in specie. The injustice of the measure, though not less real, is less apparent towards the proprietors of stock resident in England and Ireland where the dividends are received; because the

same medium, by which the interest of the public debt is paid, is the standard of currency for those countries. But the loss which is incurred by the foreign holders of English and Irish stock is palpable and manifest. In consequence of the unfavourable exchange occasioned by the Restriction they suffer an annual loss upon their remittances which is equivalent to a tax on the dividends.

This extraordinary measure, which violates so many great principles of policy and justice, originated in temporary difficulties, and has been suffered to continue from mere inadvertence. Neither the Public nor the Legislature appear to have considered to what consequences such proceedings ultimately tend. Had Parliament been called upon to authorize any of those direct frauds upon the currency which have often disgraced arbitrary governments, had it been recommended to them to raise the denomination, or to diminish the value, of the current coin, there can be no doubt that such a proposal would have been rejected with indignation. Yet an abuse of the same nature has been established by law in this country. The power of reducing the value of the currency by

a silent and gradual depreciation is more dangerous from the very circumstance of its being less direct and less exposed to observation.

The true interests of Government and the People are not really at variance. No advantage can be obtained by the former, under any emergency, from any change in the system of currency by which the Public is injured. After the first momentary relief, Government, so far from deriving any benefit from such violations of established rules, is obliged, like other consumers, to increase its expences, to multiply its loans and taxes, and to adapt its revenue to the enhanced price of labour and commodities. But this is only a small part of the evils that have uniformly been experienced by those nations which have had frequent recourse to such expedients. The abuse increases in strength, and a return to the former system is rendered more difficult by delay; public credit suffers; the revenue and resources fail; and what was at first a mere temporary accommodation becomes finally a permanent cause of national weakness and decay. The case which is here supposed is extreme; but every instance of a discre-

tionary power, by which the currency may be depreciated, has this tendency and may ultimately produce these effects.

Whoever has seriously considered the evils of a depreciated currency and the various facts relating to the circulation of Great Britain and Ireland which have been advanced in the course of this work, must surely be convinced of the necessity of putting an end to the present system of legislative interference, and of taking some steps for restoring the currencies of the two countries to their just value. But in order that the remedy may be effectual, it is of the utmost importance that the measures which may be pursued on this subject should be adopted with great prudence and caution; that nothing rash or precipitate should be attempted; and that the renewal of payments in specie should be accompanied by such regulations in the system of our coinage and currency as may prevent a repetition of those embarrassments in the circulation of the country which ma-

terially contributed to the stoppage of the Bank in 1797.

The difficulty of returning to the system of payments in specie arises in a great degree from circumstances independent of the original cause of the disorder. Since February 1797 the Banks of England and Ireland have been enabled to extend their discounts in proportion to the increase of their notes in circulation; and the merchants have therefore been led to expect the continuance of that extraordinary accommodation which they have enjoyed for so long a time. Whenever the Act of Restriction shall be discontinued, the Directors will be under the necessity of diminishing their discounts as a preparatory step to reducing the amount of their currency. But it is certain that great inconvenience and very serious and extensive commercial embarrassment (as has formerly been observed respecting the Irish Bank) might result from a too sudden reduction of the usual discounts; and it is no less obvious that a certain part of the present currency must be withdrawn; it being clear that the demand for specie upon the Bank, when it is opened for payment, will never

cease so long as the market price of bullion continues above the mint price. The high price of bullion being produced by an excess of Bank paper, the whole surplus of that currency would be returned upon the Bank for gold as soon as it could be legally demanded.

In order therefore to raise the value of the currency to its proper standard, and at the same time to prevent commercial embarrassment by a sudden limitation of discounts, it will be necessary to use great caution; and to reduce, in the most gradual and almost imperceptible manner, the amount of the notes in circulation. The necessity of this caution makes it expedient that some step should be taken upon this subject without further delay. By persevering in the present system the evil is likely to be much aggravated, and the application of the remedy is rendered more difficult. A parliamentary investigation of the whole subject is evidently necessary, not for the purpose of an *immediate* repeal of the present Restriction, but for determining upon the period at which it is finally to cease, and for adopting those measures which will diminish or prevent the con-

fusion that might otherwise result from a sudden change in the system of currency.

After the quantity of Bank notes is gradually reduced within those limits which will restore the value of that currency to the par of the precious metals, the great cause of the demand for gold in preference to Bank notes will be removed, and the Bank may then resume its payments in specie without danger or apprehension. The merchants of London, who are deeply interested in supporting the credit of that public establishment, will still maintain the circulation of Bank paper, and will undoubtedly associate (if necessary) for that purpose. But as Bank notes are much more convenient than coin for all except very trifling payments, we may be assured that after the first demand for specie has been supplied the habit of receiving Bank notes will return, and that the public will remain satisfied with a paper currency for which it is known that gold may immediately be had in exchange.

The difficulty and inconvenience of providing a sufficient quantity of specie for this purpose would

be much diminished by a revision of the coinage and a repeal of the laws which prohibit the exportation of the current coin. A complete review of this whole system is necessary in order to provide at all times a supply of specie adequate to the demands of the public, and (what is of still more importance) to prevent the necessity of having recourse to a renewal of the Restriction on any future emergency.

The regulations of the English mint were intended to give every encouragement to the increase of the coin, and have therefore provided that the whole expence of coinage without any deduction should be defrayed by Government. The person, who carries a certain quantity of gold or silver bullion to the mint, receives back precisely the same weight in the form of coin. It was supposed that this liberality of the state would operate as a bounty on coinage; but the effects of the law are directly contrary to the original intention. For the same reasons that gratuitous services are generally worst performed, the state is seldom inclined to undertake any large coinage, of which the whole expence, without any means of reimbursement, must be borne by the public. Hence many difficulties are found to

exist, which would not be experienced, if the coinage, as in some other countries, was a source of profit to Government. The delays of the mint are so great that individuals seldom find it advantageous to send bullion to be coined even when the price of standard gold is low; the loss of interest being more than equivalent to the profit to be derived from the conversion of the metal into coin. There is consequently little inducement on the part of private individuals to add to the quantity of specie under those circumstances in which such an increase would be most natural.

But besides this inconvenience, the present regulation of the mint has the further disadvantage of causing the gold coin to be rated somewhat too low, and of creating a temptation to melt it down at times, when it would otherwise remain in the form of coin. From the superior convenience of coin for many purposes it seems reasonable to suppose that gold in that form is naturally more valuable than in bars or ingots; and the fact is proved by the higher price which Portugal pieces always bear in the market above standard gold which is of precisely the same value and purity. But in consequence of the regu-

lations of the mint and of the laws prohibiting exportation, which will be afterwards mentioned, guineas have no advantage in the market above bullion, and are for some purposes less convenient; and are therefore in danger of being melted down whenever their number exceeds that which is required for circulation. Hence it is to be inferred that the expence of coinage ought to be paid in the increased price of the coin, in the same manner as in other manufactures the skill and labour are charged in addition to the value of the materials. If this is not done and the coin is rated no higher than bullion, it may frequently be advantageous to melt it down, and when advantageous, it is impossible to be prevented by any law. A small seignorage or duty upon the coinage would produce a clear superiority of the metal in coin above an equal quantity in bullion, and, by removing the temptation to melt it down, would effectually prevent this evil. The seignorage ought to be sufficient to give the coin this value, and yet so moderate as not to encourage false coining; or in other words, it ought to be as nearly equal as possible to the real expence incurred by the coinage.

The scarcity of coin, that is occasioned by this in-

judicious regulation of the mint, is much aggravated by the present laws respecting the exportation of the precious metals, in which there is the most obvious and manifest impolicy. The law permits gold and silver to be exported in bullion, but not in the form of coin. This prohibition, like almost every other legislative restraint on commercial freedom, is injurious to the public and defeats the object which it was intended to promote. Like the mint regulation which was meant as a bounty on coinage, it is the natural growth of the mercantile system, and was intended to increase the quantity of money in the country; but instead of augmenting, it permanently diminishes, the average quantity of current coin. At present, when the exchange is unfavourable and there is an excess of specie in England, guineas must be melted down in order to be exported without risque of seizure; and a re-coinage becomes necessary if the currency should afterwards be deficient. If guineas could be legally exported in the same manner as Spanish dollars or Portugal coin, they would like them become regular articles of commerce, for which they would in many respects be more convenient than in bullion. Upon any sudden demand for gold coin in England guineas might in that case

be procured at once from the Continent, and would indeed be found at all times in the hands of the bullion merchants of London in large quantities. At present as the use of guineas is confined very much to mere circulation, it is impossible that the quantity should ever much exceed what is just necessary for that purpose.

The repeal of this impolitic law, the establishment of a small seignorage on the coin, and perhaps some regulations of inferior importance in the department of the mint, would have the effect of securing a constant supply of gold coin, and would prevent those embarrassments arising from a want of currency which were felt at different times during the late war. Under the present system it is very difficult to supply the demands of the public for gold coin on those sudden emergencies, which are sure to arise in critical times and where there is a great paper currency. These difficulties produce a necessity on such occasions for great coinages, which ought naturally to be undertaken by the Bank. But this being attended with great inconvenience, and it being always probable that the gold which is coined on such occasions will shortly be melted down, the Di-

rectors are naturally averse to this measure; and chuse rather to limit their discounts and restrain their issues of paper than to incur this expence. The sudden check to circulation, which this conduct of the Bank always occasions, has often produced very great embarrassment to the trade of London; and the experience of these checks during the late war gave rise to several projects and speculations for increasing the quantity of circulating medium. It seems to have been supposed by the authors of these plans that the insecurity of the times prevented the Bank in those instances from affording the usual accommodations to the merchants; but except in the embarrassments of 1793 this does not appear to have been the fact. The limitation of discounts on other occasions seems to have arisen from the apprehension of an increased demand for specie which it would have been difficult immediately to satisfy. But if there was no legislative interference the demand for specie, as for any other commodity or article of use or convenience, would naturally produce its own supply. The scarcity which has been experienced may be attributed with great reason to the restrictive laws respecting the current coin, and would probably be removed by repealing those laws and establishing a

system of entire commercial freedom upon that subject.

It would diminish the chance of a future scarcity of specie, if Portugal pieces were permitted to pass current for their intrinsic value, which ought for that purpose to be ascertained by public authority and declared by proclamation. The only solid objection to the use of foreign coins as currency, is the danger of their value diminishing by the standard of the foreign country being altered; but this is only a reason why such coins ought in no case to be made legal tender. At present Portugal coin is of the same purity as the standard gold of this kingdom. An alteration in their value would immediately be discovered, and the coin would be discredited by being refused for taxes and in the great payments made to Government. It may be proper in this place to remark that, in case of a return to the system of payments in specie, the practice, which has prevailed in this country since the recoinage of 1772 of receiving gold coin by weight ought to be strictly adhered to by the Bank and officers of Government; as the only effectual means of preserving the

standard of currency and preventing the mischiefs of false coining.

In the general revision of the coinage which is here recommended it will be necessary also to advert to another subject of great importance which has lately engaged the public attention—the scarcity and debased state of the silver coin. This evil, which has been much aggravated by the effects of the Bank restriction, arises entirely from an error in the present system of coinage which has often been mentioned by commercial writers. The inaccuracy consists in a difference between the relative values of gold and silver as estimated in the market and at the mint. By the regulations of the latter silver is rated too low in proportion to gold, or in other words, twenty-one shillings of the standard of the mint, if melted down, are always worth more than the guinea to which they are supposed to be equivalent; and it has therefore been found impossible to retain any new issue of that coin in circulation. The silver coin in general use has long been of inferior value, consisting of pieces very much worn, and which have lost a considerable portion of their original weight.

Since the increase in the price of silver occasioned by the depreciation of Bank notes it has become advantageous to melt down even this inferior coin; and a great part of the shillings formerly current have gradually disappeared. The place of the coin thus withdrawn would naturally be supplied by a counterfeit currency of inferior value; and this will certainly take place by degrees, if the present scarcity of silver coin continues. But there is always a difficulty at first in introducing into circulation a coin which is visibly of worse quality than that to which the people have been accustomed; and it is to this difficulty that the present want of silver coin is in a great measure to be attributed. In consequence of this scarcity the Bank of England has lately been under the necessity of issuing at 5s. each dollars of which the intrinsic value is 4s. 6d., and which passed in 1797 for 4s. 9d.; thus acknowledging by their own act the depreciation of their notes.

In Ireland where the depreciation, as we have seen, has been carried much further, the whole of the legal silver coin has entirely disappeared; and the circulation is supplied either by notes for small sums in silver or by base money coined for the pur-

pose by dealers at a profit of from 40 to 50 per cent. The popular aversion to this base currency has given rise to the expedient of silver notes; and such is the scarcity of silver currency in Ireland that soon after the expiration of the temporary law which was passed to authorize these notes, it was found absolutely necessary, after a short experience, to renew the Act last session. It has not been thought prudent to issue dollars in Ireland to supply the want of current silver; but if the Irish Bank should follow the example of the Directors here, the dollars must be issued at an advance of more than 10 per cent. beyond their rate in England. They would scarcely remain in circulation under 6s. Irish currency or 5s. 6d. English.

This scarcity of silver coin arises entirely from the inattention of those officers of government, who have had the direction of the mint, to the change which has taken place in the relative values of the precious metals, during the course of the laſt century. If the annual produce of the gold and silver mines were always in a constant ratio, and the demand for these metals was not subject to any variation, it might be inferred that an ounce of gold would at

all times be worth the same number of ounces of silver. But without regarding the difference of supply occasioned by the variation in the produce of the mines, it must follow from the nature of things that the price of gold and silver, like that of all other commodities, will perpetually vary from a difference of demand; and that an ounce of gold will sometimes exchange for a greater, and sometimes for a less, quantity of silver. It is a well-known fact that since the discovery of America the value of silver compared with gold has fallen, and that an ounce of the latter, which before that period would only have been exchanged for twelve ounces of the former, will now purchase more than fourteen. There is reason also to believe that during the last century the value of silver in Europe as compared to gold has increased again, though in a small proportion. By the difference of value which is here spoken of, the reader is to understand that permanent change which is effected by some cause operating constantly and uniformly through a series of years, and not that daily fluctuation in the market price observable at London or any particular place, and which is generally slight and temporary.

But notwithstanding all reasoning *à priori* and all former experience on this subject, Governments seem to have thought they could make that fixed and certain, which in its nature is fluctuating and variable. By coining both gold and silver and ordaining that a piece of gold coin should always be equivalent to so many pieces of silver; instead of one uniform measure of value they have in fact established two standards. Now however truly adjusted the proportions of pure metal might have been in the respective coins at the time when the standard was fixed, it was not to be expected that the same proportion should remain for any considerable length of time; and it is accordingly found by experience that since the last regulation of the English mint, which took place about ninety years ago, (and in which, as we shall afterwards see, there was then some inaccuracy,) there has been a change in the value of the precious metals, which renders a new adjustment necessary. By the present regulations of the mint a pound Troy of standard gold is coined into forty-four guineas and a half, and a pound of standard silver into sixty-two shillings. The ratio of gold to silver according to this estimate is as 1 to $15\frac{2}{10}$. But in the markets of Europe the

true proportion is supposed to be nearly as 1 to $14\frac{1}{2}$; and therefore a guinea, which is estimated at twenty-one shillings of standard currency, is in reality worth only about twenty shillings of that coin.

In order therefore to remove the present temptation to melt down the silver coin, it is absolutely necessary to establish a new regulation at the mint, and to fix the relative values of gold and silver coin according to the proportions which those metals actually bear in the markets of Europe. The difficulty might at once be obviated by diminishing the quantity of pure metal in the silver coin; that is, by altering the present standard; which consists of eleven ounces two penny-weights of pure metal and eighteen penny-weights of alloy to the pound Troy of silver; in the same manner as eleven ounces of pure metal and one ounce of alloy form the pound Troy of standard gold. But these proportions have been found by experience to be most convenient for the purposes of coinage; and they have lately received the sanction of a Committee of the Royal Society, who have investigated this subject by the directions of the Privy Council*. The present standards of the two metals

* Philosophical Transactions, 1803.

have been long established, and, to the honour of our own Government, have been more constant and uniform than those of any other country. An innovation in this respect might be highly impolitic in a commercial point of view as well as inconvenient in other respects; and it is probable also that there are many practical objections to such a measure, of which a writer, who is only conversant with the theory of this subject, may not be sufficiently aware.

If the present standard of the two metals is continued, a question will arise whether the preference ought to be given to gold or silver as the measure of value; or in other words whether the value of the gold coin ought to be raised to correspond with the present market price of silver, or the silver coin should be degraded in order to be adjusted to the present standard of gold. The following arguments may be urged in considering the opposite sides of this question.

In favour of making silver the standard of currency, the example of Europe, the ancient practice of our own Government, and the greatest authorities who have treated upon this subject may be alledged

with great reason and propriety. In almost all the European nations silver is the measure of value, and in most countries the greater part of the currency consists of that metal, the gold coin being an article of convenience rather than of general use. In Great Britain the current money prior to 1797 consisted of gold. But by the ancient law silver was the only measure of value, and the only coin in which payments could be legally made. Even to this time accounts are kept in pounds sterling which refer to the silver currency. The present standard of silver was fixed early in the reign of Queen Elizabeth and has continued ever since. The gold coin which is comparatively of late introduction (our present guineas being first coined in the reign of Charles II.) had originally an uncertain value, and was accepted upon such terms as were agreed upon between the parties. It was afterwards adjusted at different times to the value of the silver coin. Guineas were first issued at twenty shillings and their value was afterwards fixed in the reign of King William first at twenty-six and then at twenty-two shillings, according to the debased or pure state of the silver coinage.

In 1717 Sir Isaac Newton, then Master of the Mint, presented a Memorial to the Treasury, in which he explained the cause of the apparent high price of silver, and shewed that it arose from the inaccuracy of the relative values of the two metals in the English mint. The guinea then passed current for 21s. 6d.; and he calculated from the market price of silver in Europe that it ought to be reduced to about 20s. 6d. This proposal, which was avowedly made to prevent the melting down of the silver coin, was not adopted in its full extent; but in consequence of the representation so made, the guinea was reduced by proclamation to 21s. It seems to have been intended to proceed to a further reduction when the effect of this alteration should have been tried; the propriety of this caution being suggested in express terms by the Memorial. Since the year 1717, when this change was made, there is every reason to believe that the market price of silver throughout Europe has increased, and the inaccuracy of the mint regulations is consequently greater than at the time of Sir Isaac Newton's proposal; but no further change in the mint regulations has since taken place.

The above arguments and the ancient practice of the mint may be stated as reasons why the standard of silver should be preferred to that of gold; which was the opinion not only of Sir Isaac Newton in the instance which has been mentioned, but also of Mr. Locke on the discussion of this question at the time of the great coinage in 1695. If these opinions should be followed, it will be necessary, after having ascertained the exact sum in silver coin of standard weight and purity which the present guinea is intrinsically worth, which seems to be about 20s., to ordain that a guinea should pass in future for no more than that amount; and a legislative provision ought to be made for reviewing from time to time the relative values of gold and silver, and declaring by public authority the sum in silver money at which the guinea is to pass current.

But many reasons may be urged on the other hand, why the standard of gold ought now to be preferred to that of silver. Though all accounts have nominally been kept in silver, gold has been the real measure of value in England for the last century. It is legal tender for all payments, and by an Act passed in the present reign no debt beyond a limited

amount can be paid in silver coin, except for its value by weight according to the mint price*. Gold is much more convenient for great payments; and the standard of that metal is much more easily maintained in common circulation than silver. The latter is of much smaller value; and where both metals are current, the power of exchanging a certain number of pieces for gold may keep up the value of a very inferior silver currency. For these reasons it would be impossible to introduce the general practice of taking silver coin by weight; the only mode, as has formerly been observed, by which the value and purity of any current coin can be effectually maintained. Gold therefore would still remain the practical standard, and the silver coin, like the present pound sterling, would have a value merely nominal.

* By the statute 14 Geo. III. c. 42. reciting the worn and debased state of the silver coin it is enacted "that no tender of payment in silver money, exceeding 25l. at one time, shall be a sufficient tender in law for more than its value by weight at the rate of 5s. 2d. an ounce." Why the sum was so large or why the particular sum of 25l. was mentioned it is impossible to conjecture. For the reasons which are given in the preamble of the Act it ought not have exceeded 1l.

One of the most important properties in a standard of currency is steadiness and uniformity of value. But there seems no reason to believe that the price of gold has fluctuated, or that its value has fallen, during the last century, more than that of silver, or that the latter metal has any advantage over gold in this respect.

A more important reason for adhering to gold as the standard of value still remains to be considered. For near a century at least, all agreements have been entered into, and all debts have been contracted in England upon the supposition of payments being made in the present gold coin. To alter the denomination of this coin by adjusting its value to the obsolete, and at present imaginary, standard of silver, would be an injury to debtors, and an advantage to creditors, of about 4 per cent. in all future payments. Such a measure would have the effect of violating the faith of all existing contracts; and would be liable to many of the objections with which the present depreciation of money, produced by the Bank Restriction, has been justly charged. It has been the usual fault of governments and the general

tendency of legislative interference on these subjects to reduce the value of the current coin; but injustice may be committed in an equal, though opposite, degree by *raising* the standard of currency; and for this reason no alteration ought ever to be made in the practical measure of value without very great and urgent necessity.

If the latter arguments should be thought more convincing, and the standard of gold should after due consideration be preferred by the Legislature, it will be necessary, in the proposed revision of the coinage, to enact that the quantity of silver in the present shillings of the mint shall be diminished, and the pound troy of standard silver divided into a greater number of pieces corresponding to the increased value of that metal as compared with gold. For the purpose of the present Enquiry it is not necessary to decide this important question, or to determine which of the two alterations it would be most expedient to adopt. But as the discontinuance of the Bank restriction will render a new coinage necessary, and as circumstances evidently require an entire change in the regulations of the mint,

it has been thought useful on the present occasion to give a short and general view of this question, and to call the attention of the public to a great and important defect in the system of the English coinage, which, though it is attended with many practical inconveniences, and is often mentioned in works that expressly treat upon this subject, is little known or understood by general readers.

APPENDIX.

THE Tables, which will be found at the end of this work, contain the monthly accounts of the course of exchange with Hamburgh and of the market prices of standard silver for some years past, and of the amount of English Bank notes in circulation since February 1797. The accounts of the latter have been taken from the returns made to Parliament at different times by the Bank of England, and include the notes under five pounds. There have been only two returns of Irish Bank notes. That which was made in consequence of a motion during the Session of 1803 is inserted at full length. The rates of exchange and prices of silver have been extracted from Lloyd's lists and the weekly returns of prices which are regularly printed in London. An early period in each month has in general been selected, except in a few instances when

the account has been taken from the second week, in order to insert the price of silver, which was occasionally omitted in the first. Where the price of standard silver was omitted throughout the whole of the month, the price in the following tables has been computed from that of new dollars by adding 2d., the real difference being 2½d. The prices of silver during the whole of the years 1800 and 1801 are computed in this manner.

By the par of exchange is meant *the precise equality between a given sum or portion of English money and the money of the foreign country into which it is exchanged, the weight and purity of the respective coins being considered.* It is mostly estimated in the standard money of the two countries in which accounts are usually kept, and is ascertained by an accurate examination of the real and intrinsic values of the two coins. Thus, when it is said that the par of London with Hamburgh is about 35, it is to be understood that the English pound sterling is equal to 35 schillings; and that the latter sum in the Bank or standard money of Hamburgh contains precisely the same quantity of pure silver as the

English pound sterling estimated by the standard of the mint.

As the par of exchange is estimated according to the standard of the respective coins, it follows that an alteration in the value of the current coin of either country must affect the state of the exchange. In such cases the par of the two countries is in reality altered; but where the disorder in the currency is supposed to be temporary, the same nominal par usually continues and is still employed in all computations of the exchange. A well-known example will make this intelligible. Prior to the re-coinage of 1772 a worn and degraded gold coin of which the intrinsic value was much below the standard of the mint was used for all payments in this country, and therefore the real value of the English pound sterling, as paid in that inferior currency, was reduced below 35 schillings of Hamburgh money. In this case the average value of the degraded English coin computed in the Hamburgh currency was the real par of the exchange between the two countries. But as the nominal par which referred to the mint standard was still continued, there was always an apparent balance against London. In the same man-

ner the English currency having since the year 1798 been depreciated in different degrees by the effects of the Bank Restriction, the real par of exchange since the year 1798 has fluctuated below the true standard and has differed at different times. But as the computation is still made upon the pound sterling the exchange has always appeared to be unfavourable.

The par with Hamburgh has been stated to be about 35. The same par of the pound sterling with Dublin is 1l. 1s. 8d. Irish currency, in consequence of the English shilling being current there for 13d. Irish. According to this computation 100l. sterling is equal to 108l. 6s. 8d. Irish; and the par of the two countries, for the sake of shortness and convenience, is called 8⅓. When the exchange is said to be above 18, which is the case at present, it is to be understood that a bill of exchange drawn at Dublin upon London for 100l., which prior to 1797 cost upon an average 108l. 6s. 8d. Irish, is now worth 118l. of that currency.

The exchange with Paris is computed in the French crown of three livres estimated at 29¼d. English

money, which is the par between the two countries. The course of exchange with Paris from 1789 until all commercial intercourse was prevented by the late war has been inserted in these Tables; principally as affording one of the strongest illustrations of the manner in which the exchange with a foreign country was affected, in the memorable instance of *assignats*, by a depreciated currency.

The mint price of silver is 5s. 2d. an ounce. But it ought to be observed that, in consequence of the error which has been remarked in the relative values of gold and silver as estimated at the English mint, silver is either rated too low or gold too high. The real price in the markets when purchased with gold is supposed to be 5s. 4d. or 5s. 5d. Assuming the latter to be the real market price of silver, and 5s. 8d. (as appears from these Tables) to have been the average market price in England since the restriction of 1797, it may be inferred that by the effects of that measure the currency of this country has been depreciated rather more than 5 per cent., a conclusion which appears to be justified by other circumstances.

NOTE

On the Effects of the Trade *with the* East Indies *in producing a favourable* Exchange *with the* Continent *of* Europe. *See* p. 59.

The observations upon the manner in which the exchange between this country and other parts of Europe is affected by the Indian commerce were introduced for the purpose of strengthening the general argument founded on the permanently unfavourable exchange since 1798, and of shewing that, notwithstanding the opinions of some distinguished writers, there might be cases in which the balance of trade and the course of exchange might afford important conclusions respecting the state of commerce. On the principles of Mr. Hume and Dr. A. Smith it must be admitted to be the general rule, that there can be no constant or uniform balance in favour of any particular country; and that the exchange between any two places is naturally at par and, however it may occasionally fluctuate, is brought upon an average to a state of perfect equality. This is inferred from the evident

absurdity of that constant accumulation of the precious metals, which is regarded by the partisans of the mercantile system as the only test of commercial wealth and prosperity. But it occurred to the Author in considering the present subject, and adverting to the singular fact of a uniform balance in favour of Great Britain with the greater part of Europe, that there might be exceptions to this general rule; and that the peculiar circumstances of a country which carries on a great trade by means of the precious metals, and has a constant demand for them for this purpose, would be found to furnish such an exception. A very liberal and intelligent critic, who has done great honour to the present Work by the attention which he has bestowed upon it in the Edinburgh Review, Number 4, page 418, has controverted this opinion. "Bullion," he says, "is a commodity for which like every other there "is a varying demand, and which exactly like any other "may enter the catalogue either of exports or imports; "and this exportation or importation of bullion will not "affect the course of exchange in a different way from "the exportation or importation of other commodities. "The real course of exchange between two countries depends upon the state of their reciprocal credits and "debts."—"Provided the whole exports are no more "than equal during a given period of time to the whole "imports, the exchange will be at par, although a great "part, the greater part, or even the whole of those im-

" ports may have consisted of bullion." This opinion is again asserted by the same critics in their examination of Mr. Wheatley's *Remarks on Currency and Commerce.*—Edinb. Review, Number 5, p. 238. In considering the question whether an excess of the precious metals in any country can affect the balance of trade or produce an unfavourable exchange, it is said, " Exchange, might be at " par while nothing but goods on one side was given for " money on the other, and the bills against a nation " might bear a premium while it exported nothing but " bullion. The difference between the exports and im- " ports, from whatever cause it arises, must in every case " constitute the difference between the value of the bills " of two nations trading together."—As the subject is in some respects new and important, and as the opinion of these writers is entitled to great respect for many obvious reasons, but particularly on account of their very just and laudable attention to works of political œconomy, it may be proper to enter a little into the detail of this question, and to state the reasons which have induced the Author, after a full consideration of the Reviewer's arguments, to adhere to his former opinion.

The objection made by the Reviewers is this—that bullion, when it is imported in consequence of an effective demand, does not influence the balance of trade in any other manner than a common commodity; by which

they must be understood to assert that the import of gold or silver to answer a commercial demand is always produced by an original order for that purpose, and is not a consequence of the abundance and cheapness of bills of exchange upon the country in which bullion is plentiful. This proposition appears to be open to many objections; and whether we consider the particular manner in which the bullion trade is carried on, and the division of labour which experience has introduced into that branch of commerce, or the general result and effect of a permanent demand for the precious metals, it seems equally certain that a steady influx of bullion will have the necessary effect of rendering the exchange favourable.

The invention of bills of exchange is the greatest improvement that has ever taken place in the intercourse of nations; and, like money in the ordinary exchanges between individuals, relieves the merchant in one case from the necessity of bartering the cargo of his vessel, and the individual, in the other, from exchanging the actual produce of his industry for some other commodity. Since bills of exchange have been in use they have served as the medium of exchange and representatives of value in all commercial transactions; and the trade of bullion is no longer carried on by the general merchant who deals in ordinary commodities, but by the bullion merchant whose

peculiar business it is to adapt the supply of the precious metals to the demand, to bring them from those places where they are cheap to others where they are dear, and thus to reduce the value of gold and silver in all countries as nearly as possible to one level. When the London merchant consigns a cargo of English merchandize to his correspondent in Spain, he draws bills for the value on his agent in that country. These bills are sent into the exchange market, and pass through the intermediate hands of bankers and brokers, forming in this manner a part of the great aggregate of the bill transactions between the two countries. When the amount of the debts due from Spain for the produce of British exports is greater than the amount of debts due by England for Spanish merchandize, it will follow that in consequence of the great supply of bills of exchange on Spain those bills must fall in their value on the exchange of London; and on the other hand the scarcity of bills on London must occasion a high price on the exchange of Cadiz. The bullion merchant, who knows the demand for silver in this country, is naturally the purchaser of bills on those places from whence it is to be procured; and whenever the difference between the market price of bills and the sum for which they are drawn is sufficient to pay him the cost of transport, price of insurance, and reasonable profit of trade, he buys up bills on Spain, and by means of these bills procures an actual importation of bullion into this country,

For example; supposing the market price of a bill on Spain for a sum, which is of the intrinsic value of 100l. sterling, to be 94l. and the cost and risk of importing that sum from Spain to be equal to 4l., there will remain 2l. clear profit to the bullion merchant. If that should not be sufficient, he forbears purchasing until the accumulation of bills in the market reduces their price to such a sum as shall afford a reasonable profit. Supposing this to be the manner in which the bullion trade is carried on, and that it is entirely distinct from that of the general merchant (of which there seems to be no doubt), it is to be inferred that where from peculiar circumstances the commerce between two countries consists of the actual transfer of a considerable proportion of specie on one side, and of general merchandize on the other, the rate of exchange must in the ordinary course of things be unfavourable to the country exporting the specie. If the exchange continued at par there would be no profit to the dealers in bullion, and no actual importation could take place until the reduction in the price of bills produced a profit sufficient to repay all necessary expences.

The importation and exportation of bullion is a peculiar and distinct branch of commerce with which common merchants, who deal in the wines and ordinary produce of Spain and Portugal, have no concern. The general merchant is altogether ignorant of this particular trade, and

is consequently unwilling to purchase so valuable a commodity in which he has no skill, and to engage in a speculation, in which a very slight error, either in the quality and purity of the metal, or in his judgment relative to the state of the bullion market, would expose him to considerable loss. If however, in any instance, the general merchant should engage in this trade, and in consequence of the demand for bullion should import it on his own account, he would become a dealer in bills of exchange on Spain, which he would naturally purchase when it was advantageous so to do in preference to exporting goods to the same amount. It is to be observed also that the abundance of specie in Spain must operate as an inducement to Spanish merchants to give larger orders for goods, for which bills must be drawn by England on that country; and there is consequently a natural accumulation of such bills in the English market. But upon the supposition of the bullion trade being carried on by general merchants, a bill or debt due in Spain would sell on the exchange of London still cheaper than at present, because the profits of the trade when conducted by the general merchant must be higher. The division of labour in this as in every other instance diminishes prices and reduces the expence of mercantile transactions.

Bullion, like all other commodities, is naturally cheapest in the place where it is produced, because it is there most

bundant; and when it is exported, the price must be advanced sufficiently to pay the cost of transport, the risk, and every expence attending the actual transfer. The same cause operates in the price of all manufactured goods, which are cheaper at the manufactory and dearer in proportion to the distance and difficulty of transport. But bullion differs from other commodities in this respect, that it is the currency of nations, and will any where pay a debt which other goods will not. If Spain is regularly the debtor to England, and if bullion is constantly sent for the payment of those debts, and is always withdrawn from the bad market of Spain to seek the good market of England, it must follow that a bill of exchange, or order for a sum containing as much pure silver as is coined into 100l. sterling to be paid in Spain, will sell in London for only 95l. or 96l.; that is, such a proportion will be deducted from the amount of the bill as is equivalent to the cost of transport. This necessary expence is increased by the Spanish and Portuguese laws, which prohibit the exportation of bullion. If the difficulty of evading the vigilance of the custom-houses was so much increased as to render the attempt to export bullion extremely hazardous, the value of the precious metals would be still further depreciated in Spain by their greater abundance, until the profit of the contraband trade of exporting specie was at length sufficiently advanced to repay the dangers and the risk of seizure.

The Edinburgh Reviewers, admitting the fact of a generally favourable exchange with the Continent, consider the balance as being partly real and partly apparent. So far as it is real they think it is produced by the long credit allowed by the English merchants, and they attribute so much as is only apparent to the excellent state of our gold coin. But these causes are evidently insufficient to explain the difficulty, or to account for a permanent and uniform balance in favour of this country. The credit, which is given by the English merchants, occasions a small advance on the price of the goods, and therefore increases the value of the exports. But such an increase, when regular and uniform, is always paid for by an additional amount of imports, and cannot, upon any intelligible principles, permanently affect the exchange. Long credit is always given by a rich country where the rate of interest and profits of trade are low, to a poor country where they are very high. The goods are sold at an advanced price, it being an accommodation to the poorer nation to pay an advance, of perhaps 10 per cent., on a whole year's credit rather than a smaller sum at a shorter date, because the merchants of the latter country in consequence of the high profits of trade can employ their capital to greater advantage. For the same reason it is advantageous to the wealthy nation to give a long credit on an advanced price of their goods; because that small advance in price is more than equivalent to the moderate profits

of trade and interest of money at home. But that such a course of dealing will not produce any permanent balance in favour of the country, which grants the accommodation, is evident from the example of the trade with Ireland, in which long credit has always been given; yet prior to the Restriction of 1797 the exchange upon an average was at par between the two countries. For the same reasons, in the North American trade very long credit is allowed; yet the exchange is not supposed on the whole to be much in favour of London. If this is the case in a small degree, it is probably occasioned by some contraband communication between the Southern States and the Spanish province of Mexico; in consequence of which a certain small portion of the precious metals may flow into Great Britain by that channel.

The state of the gold currency since the recoinage of 1772 must be admitted to have had a favourable effect on the exchange with those countries where the coin has been in a worn and inferior state. But the degree in which this cause has influenced the balance of trade, seems to be altogether insufficient to account for the whole of the effect produced; and it could have no influence whatever upon the exchange with some of the greatest markets of Europe; namely, with Hamburgh and Amsterdam, where the payments are in bank money, or with Spain, where the current coin is always in a very pure state.

Tables of the Course of Exchange, and Price of Silver, from 1789 *inclusive.*

1789		Hamburgh.		Paris.	Dublin.	Standard Silver per Ounce.	
						s.	d.
January	6	34	10	$28\frac{5}{8}$	$8\frac{1}{4}$	5	2
February	3	35		$28\frac{1}{2}$	9	5	2
March	3	35	1	$28\frac{7}{16}$	$9\frac{1}{8}$	5	2
April	3	35	5	$28\frac{1}{4}$	$9\frac{1}{8}$	5	2
May	1	35	6	$28\frac{1}{4}$	$8\frac{1}{4}$	5	$3\frac{1}{4}$
June	2	35	7	$27\frac{7}{8}$	8	5	$3\frac{1}{4}$
July	2	35	7	$27\frac{9}{16}$	$8\frac{1}{2}$	5	3
August	4	35	3	$27\frac{3}{4}$	$8\frac{3}{8}$	5	$2\frac{1}{4}$
September	1	35	5	$27\frac{3}{4}$	$7\frac{3}{4}$	5	$2\frac{3}{4}$
October	2	35	3	$27\frac{1}{2}$	8	5	$2\frac{3}{4}$
November	3	35	1	$27\frac{3}{8}$	8	5	$2\frac{3}{4}$
December	1	35		$26\frac{1}{2}$	$8\frac{1}{4}$	5	$2\frac{3}{4}$

1790		Hamburgh.		Paris.	Dublin.	Standard Silver per Ounce.	
						s.	d.
January	1	35		27⅜	8¼	5	2½
February	2	34	11	26⅞	8⅝	5	2½
March	2	35	2	26⅝	8½	5	2½
April	2	35	4	25¼	8¾	5	3½
May	4	35	4	26½	8¼	5	3¼
June	1	35	4	27	8½	5	3¼
July	2	35	7	26½	8½	5	3
August	3	35	7	26¾	8⅞	5	3
September	3	35	6	26⅜	8⅝	5	2½
October	1	35	8	25	8	5	2½
November	2	35	7	25½	8¼	5	2½
December	3	35	6	25⅝	8⅛	5	2½

1791		Hamburgh.	Paris.	Dublin.	Standard Silver per Ounce. s. d.
January	4	35 6	$25\frac{1}{2}$	$8\frac{1}{4}$	5 3
February	1	35 8	$24\frac{7}{8}$	$8\frac{3}{4}$	5 3
March	1	35 10	$25\frac{1}{4}$	$8\frac{5}{8}$	5 3
April	1	35	$24\frac{7}{8}$	$8\frac{1}{4}$	5 $3\frac{1}{4}$
May	3	35 11	$24\frac{1}{16}$	$8\frac{3}{8}$	5 $3\frac{1}{4}$
June	3	35 11	$23\frac{1}{4}$	$8\frac{1}{4}$	5 $2\frac{3}{4}$
July	1	35 10	$22\frac{5}{8}$	$8\frac{1}{2}$	5 $2\frac{3}{4}$
August	2	35 10	$23\frac{1}{4}$	9	5 $2\frac{1}{4}$
September	2	35 6	$22\frac{7}{8}$	$8\frac{1}{4}$	5 $2\frac{1}{4}$
October	4	35 5	$23\frac{1}{8}$	$8\frac{3}{8}$	5 3
November	1	35 2	$22\frac{7}{8}$	$8\frac{1}{4}$	5 $3\frac{1}{2}$
December	2	35 1	$21\frac{3}{4}$	$8\frac{1}{8}$	5 $3\frac{1}{8}$

1792		Hamburgh.		Paris.	Dublin.	Standard Silver per Ounce.	
						s.	d.
January	3	34	6	$19\frac{1}{4}$	$8\frac{3}{4}$	5	4
February	3	34	6	$17\frac{3}{8}$	$8\frac{3}{4}$	5	4
March	2	34	6	$15\frac{1}{4}$	$8\frac{1}{2}$	5	$4\frac{1}{2}$
April	3	34	5	$17\frac{1}{2}$	$8\frac{1}{4}$	5	5
May	1	34	3	$17\frac{1}{2}$	$8\frac{1}{4}$	5	$5\frac{1}{4}$
June	1	34	4	$17\frac{1}{2}$	$8\frac{5}{8}$	5	6
July	3	34	5	18	9	5	6
August	3	34	4	$17\frac{1}{4}$	$8\frac{7}{8}$	5	5
September	4	34		$19\frac{3}{4}$	$8\frac{5}{8}$	5	5
October	2	34	6	$18\frac{1}{4}$	$8\frac{1}{4}$	5	5
November	2	34	3	$19\frac{3}{4}$	$8\frac{1}{2}$	5	5
December	4	35	2	$19\frac{3}{4}$	$8\frac{3}{8}$	5	$4\frac{3}{4}$

1793		Hamburgh.		Paris.	Dublin.	Standard Silver per Ounce.	
						s.	d.
January	1	35	4	17	$8\frac{1}{2}$	5	$4\frac{3}{4}$
February	1	35	6	$14\frac{3}{4}$	$8\frac{3}{4}$	5	5
March	1	36	7	15	$9\frac{1}{4}$	5	$2\frac{1}{2}$
April	2	37	6	12	$9\frac{1}{2}$	5	$2\frac{1}{2}$
May	3	37	6	N. B. There was no exchange with Paris after April 1793 during the remainder of the war.	$10\frac{1}{2}$	5	$2\frac{1}{2}$
June	4	37	4		$10\frac{1}{2}$	5	$1\frac{1}{2}$
July	2	37	2		$10\frac{1}{2}$	5	1
August	2	35	6		10	5	1
September	3	36			$9\frac{1}{4}$	5	$1\frac{1}{2}$
October	1	35	9		9	5	$1\frac{1}{2}$
November	1	35	3		$8\frac{1}{2}$	5	$1\frac{1}{4}$
December	3	35	4		$8\frac{5}{8}$		

1794		Hamburgh.		Dublin.	Standard Silver per Ounce.	
					s.	d.
January	7	35	10	$8\frac{1}{2}$	5	$1\frac{1}{2}$
February	4	36	1	9	5	$1\frac{1}{4}$
March	4	36	4	$8\frac{1}{2}$	5	1
April	1	36	5	8	5	1
May	2	36	7	$8\frac{3}{8}$	5	$1\frac{1}{4}$
June	3	34	7	$8\frac{5}{8}$	5	2
July	1	35	6	$8\frac{5}{8}$	5	2
August	1	35	10	$8\frac{5}{8}$	5	1
September	2	35		$8\frac{5}{8}$	5	1
October	3	35	5	$8\frac{1}{4}$	5	1
November	4	34	5	$8\frac{1}{4}$	5	1
December	2	35		$8\frac{1}{4}$	5	2

1795		Hamburgh.		Dublin.	Standard Silver per Ounce.	
					s.	d.
January	2	34	6	$8\frac{5}{8}$	5	$2\frac{1}{4}$
February	3	36		$8\frac{1}{4}$	5	1
March	3	35	10	$8\frac{1}{2}$	5	1
April	3	35	4	$8\frac{1}{2}$	5	1
May	1	34	4	$8\frac{1}{2}$	5	1
June	2	33	6	$8\frac{3}{4}$	5	2
July	3	32	10	$8\frac{3}{4}$	5	$3\frac{1}{2}$
August	4	32	4	$8\frac{1}{2}$	5	4
September	1	32	6	$8\frac{5}{8}$	5	$5\frac{1}{2}$
October	2	32	10	8	5	$5\frac{1}{2}$
November	3	32	10	$8\frac{1}{4}$	5	5
December	1	33	2	$8\frac{3}{8}$	5	$5\frac{1}{2}$

1796		Hamburgh.		Dublin.	Standard Silver per Ounce.	
					s.	d.
January	1	32	7	$8\frac{1}{2}$	5	$5\frac{1}{2}$
February	2	33	6	$9\frac{1}{4}$	5	5
March	4	33	2	9	5	5
April	5	34	8	$9\frac{1}{2}$	5	$4\frac{1}{2}$
May	3	33	10	9	5	5
June	3	34		10	5	4
July	1	33	7	$9\frac{7}{8}$	5	6
August	5	33	11	$10\frac{1}{4}$	5	5
September	2	33	7	$10\frac{1}{4}$	5	$3\frac{1}{2}$
October	4	34		$10\frac{1}{4}$	5	4
November	4	34	6	$10\frac{1}{4}$	5	$3\frac{1}{2}$
December	9	34	10	$10\frac{1}{4}$	5	5

1797		Hamburgh.		Dublin.	Standard Silver.		English Bank Notes.
					s.	d.	
January	6	35	6	10¼	5	4	
February	3	35	2	8¾	5	4	*L.*
March	10	35	8	9¼	5	5	
April	7	36	8	6½	5	6	
May	9	36	2	8½	5	6	11,103,880
June	9	36	4	8¼	5	1½	
July	7	36	9	7¾	5	1½	
August	4	36	7	7¾	5	1½	10,828,880
September	5	37	10	7	5	1	
October	6	37	8	7¼	5	0½	
November	7	37	10	7¼	5	0½	11,642,400
December	5	38	3	7	5	0½	

1798		Hamburgh.		Dublin.	Standard Silver.		English Bank Notes.
					s.	d.	
January	9	37	11	$8\frac{5}{8}$	5	$0\frac{1}{2}$	*L.*
February	9	37	8	9	5	0	13,043,480
March	9	37	7	$9\frac{1}{4}$	5	$1\frac{1}{2}$	
April	10	37	8	9	5	$1\frac{1}{2}$	
May	8	37	3	$9\frac{1}{4}$	5	$1\frac{1}{2}$	13,224,440
June	8	37	6	$9\frac{1}{2}$	5	1	
July	10	37	10	$9\frac{3}{4}$	5	1	
August	7	37	6	8	5	1	12,115,640
September	7	37	6	$8\frac{3}{4}$	5	1	
October	9	37	10	9	5	$0\frac{1}{2}$	
November	6	37	10	$9\frac{1}{4}$	5	$0\frac{1}{2}$	12,452,070
December	11	37	3	$9\frac{1}{4}$	5	$0\frac{1}{2}$	

1799		Hamburgh.		Dublin.	Standard Silver.		English Bank Notes.
					s.	d.	
January	8	37	8	10	5	2½	*L.*
February	8	37	8	9¼	5	3	13,212,460
March	8	37	5	9⅞	5	3	
April	5	37	4	11	5	3	
May	10	35	6	10	5	3½	13,720,260
June	11	35	6	11¼	5	5	
July	5	35	10	11¾	5	7	
August	9	34	6	11⅝	5	7	13,759,940
September	10	32	9	11¾	5	8	
October	8	32		12	5	8	
November	12	32	6	12½	5	8	14,006,960
December	3	32		14¼	5	8	

1800	Hamburgh.	Dublin.	Standard Silver. s. d.	English Bank Notes. L.
January 7	32	$13\frac{1}{2}$	5 $6\frac{1}{2}$	
February 11	30 6	$12\frac{1}{4}$	5 8	15,120,060
March 11	31	12	5 $9\frac{1}{2}$	
April 10	31 6	$11\frac{1}{4}$	5 $9\frac{1}{2}$	
May 13	32 3	$11\frac{3}{4}$	5 $9\frac{1}{2}$	15,213,520
June 6	31 10	$10\frac{3}{4}$	5 $9\frac{1}{2}$	
July 11	32 3	$10\frac{1}{4}$	5 $9\frac{1}{2}$	
August 12	32 1	$11\frac{1}{4}$	5 9	15,230,410
September 9	32	$12\frac{1}{4}$	5 9	
October 10	32 1	$10\frac{1}{8}$	5 9	
November 14	31 10	$10\frac{5}{8}$	5 9	15,450,970
December 9	30 10	$10\frac{1}{2}$	5 9	

1801	Hamburgh.	Dublin.	Standard Silver. s. d.	English Bank Notes.
				L.
January 6	29 10	11	5 10	16,365,206
February 6	31 10	12¼	5 11	
March 10	31 9	12½	6 0	
April 10	31 4	14	6 1	
May 8	31 9	14	6 1	No account of the Bank notes in circulation appears to have been presented for this year subsequent to March 25.
June 9	31 4	13½	6 0	
July 7	31 8	16	6 0	
August 7	31 4	14	6 0	
September 4	31 9	14	6 0	
October 6	32 6	13½	6 0	
November 6	32 5	11	5 11	
December 11	31 10	11	6 0½	

1802		Hamburgh.		Dublin.	Standard Silver.		English Bank Notes.
					s.	d.	
January	8	32		$11\frac{1}{2}$	6	$0\frac{1}{2}$	*L.*
February	5	32		12	5	$11\frac{1}{2}$	
March	5	32	3	$12\frac{1}{2}$	5	$11\frac{1}{2}$	15,956,016
April	9	33	4	13	5	$9\frac{1}{2}$	
May	7	32	7	$11\frac{1}{2}$	5	$9\frac{1}{2}$	
June	8	33		$12\frac{1}{2}$	5	$9\frac{1}{2}$	16,747,300
July	6	33	1	$12\frac{3}{4}$	5	$6\frac{1}{2}$	
August	10	33		$11\frac{1}{2}$	5	$6\frac{1}{2}$	
September	7	33	3	$12\frac{1}{4}$	5	6	16,141,636
October	1	33	5	12	5	6	
November	5	33	5	12	5	$6\frac{1}{2}$	
December	3	34		12	5	7	15,838,410

1803		Bank of England Notes.	Silver in Bars.		Hamburgh.		Dublin.	Bank of Ireland Notes.
			s.	d.				
January	25		5	7	34	3	13	
February	25	15,325,080	5	7½	34	4	13	2,683,448
March	25	15,210,290	5	8	34	10	14	2,599,759
April	26	16,316,540	5	8	34	4	14	2,688,289
May	27	15,875,960	5	8	34	3	15	2,722,401
June	24	15,614,160	5	7	34	9	14½	2,567,202
July	26	17,254,100	5	5	34		16½	2,855,801
August	26	16,451,180	5	6	32	10	18	2,919,736
September	27	15,935,080	5	6½	33	8	16	2,752,370
October	25	17,171,930	5	7½	34	10	15½	2,803,364
November	25	17,931,930	5	8	34	10	17	2,911,628
December	27		5	8½	34	10	18	

Account of the amount of Bank of Ireland notes in circulation at different periods (including Bills under 5l.) presented to the House of Lords, pursuant to an Order dated February 1803.

1797		L.	Exchange on Dublin.	1802		L.	Exchange on Dublin.
January	1	621,917	10¼	June	1	2,678,980	12½
April	1	737,268	6½	August	1	2,628,958	11½
June	1	808,612	8¼	October	1	2,528,951	12
September	1	959,999	7	December	1	2,530,867	12
1801				1803			
April	1	2,266,471	14	February	1	2,633,864	13
May	1	2,405,214	13½				
June	1	2,350,012	13½				